

THE MEETING IN MADRID: 'We will not allow the imperialist powers to divide up the Middle East'

American Is Killed by Car Bomb in Turkey

ANKARA — Car bombs killed an American serviceman and seriously injured an Egyptian diplomat here Monday in attacks directed at the Middle East peace conference.

A group calling itself Turkish Islamic Jihad took responsibility and said the attacks were to protest the U.S.-sponsored Middle East peace conference that opens in Madrid on Wednesday, the Anatolian News Agency reported.

"We will not allow the imperialist powers to divide up the Middle East at the peace summit," the agency quoted the group as saying in telephone calls to local newspapers.

Two years ago Islamic Jihad took responsibility for a car bomb attack in Ankara in which a Saudi diplomat lost his legs.

It was not clear if the group taking responsibility for Monday's attacks was linked to the pro-Iranian Islamic Jihad for the Liberation of Palestine, which holds Western hostages in Lebanon. Fundamentalists in Iran have called on all Muslims to protest the Middle East conference.

The U.S. Embassy identified the American victim as Staff Sergeant Victor Marwick, 31, a computer specialist serving in a communications unit.

The Anatolian News Agency said he was killed when a bomb exploded under his pickup truck in Ankara shortly before 8 A.M., as he was leaving for work.

An hour later, a bomb blew up under the car of an Egyptian administrative attaché, Abdullah Korabi, tearing off his left leg and badly injuring his left arm.

Turkey's deadliest urban guerrilla group, Dev-Sol, which has killed two Americans and a Briton this year, has rarely used car bombings in the past.

The group normally uses teams of gunmen in attacks that have also claimed the lives of a score of Turkish policemen and army officers, including two retired generals, this year.

Shamir to Meet Gorbachev

MADRID — Prime Minister Yitzhak Shamir of Israel will meet with President Mikhail S. Gorbachev during the Middle East peace conference in Madrid, an Israeli diplomat said Monday. Israel and the Soviet Union renewed diplomatic ties this month. Relations were severed after the 1967 war.



Hanan Ashrawi, the spokeswoman for the Palestinian delegation, arriving in Madrid on Monday with other Palestinian delegates.

ATTACK: Gunmen Kill 2 on Bus SUMMIT: For Bush, Questions

(Continued from page 1)

Madrid conference approaches. In the past, attacks of this sort have often led to reprisals by Israelis, fueling concern that the country could be in store for a new cycle of assaults and counterassaults.

"Unfortunately, this kind of attack was not unexpected," a military officer said. "We've had reports from the field warning us that it could happen."

The settlers were on their way to a Tel Aviv rally from Shilo, northeast of Jerusalem, when they came under attack from automatic gunfire. They reportedly were in the second of three buses traveling together and moving uphill when the assault began.

The Israeli Army offered few details, but a spokesman said that five children aged 13 and under were wounded, including a 10-year-old boy said to be in critical condition.

Settler groups identified the slain driver as Itzhak Rophe of Jerusalem and the woman as Rachel Druck, described as a mother of seven.

Presumably, some of the 30 or 40 people on the bus were armed, but, according to the army spokesman, no shots were fired back. He said that investigators had found footprints of three men leading from

the scene to a nearby Arab village called Isawiya.

During the four-year Palestinian uprising, shooting attacks on Israeli civilians have been infrequent, but in the last few months military commanders have reported an increase in firearms use. Even so, Arabs continue to be the main victims, killed either by Israeli soldiers or, at a more accelerated rate, by fellow Palestinians who accused them of abetting the Israeli occupation.

Numbers vary, depending on who does the counting, but at least 855 Palestinians have been killed by Israelis and at least 450 by other Palestinians. The murders Monday bring the number of Israeli victims to 74, including 17 from the West Bank.

It seemed likely that the bus ambush would stimulate increased opposition in Israel to the peace conference, and perhaps also give Mr. Shamir new ammunition to underline, as Israel's chief delegate, the country's security fears.

Ehud Gol, a senior adviser to the Mr. Shamir, said Monday night, "this tragic incident serves again as a vivid reminder of the murderous and terrorist nature of our enemies, who will use any brutal and cruel means in order to stop the peace process Israel is so determined to commence."

The police said Mr. Harrison was undergoing surgery at Hadassah Hospital in Jerusalem. A police spokesman said three other men in the ambassador's chauffeur-driven car were injured in the accident.

(Continued from page 1)

forces an increasingly tenuous thing, the administration has already shifted arms control from the traditional domain of summit meetings to a largely unilateral process in which each side is proposing to cut its nuclear stockpiles and challenging the other to go further.

Indeed, officials said the concerns of the United States had suddenly shifted from persuading the Soviet Union to cut its weapons stockpiles to discouraging independence-minded republics, like the Ukraine, from trying to build ar-

U.S. Envoy to Jordan Injured in Auto Crash

JERUSALEM — Roger G. Harrison, the U.S. ambassador to Jordan, was injured Monday in an automobile collision on the Tel Aviv-Jerusalem road, the Israeli police said. A woman in another car was killed.

The police said Mr. Harrison was undergoing surgery at Hadassah Hospital in Jerusalem. A police spokesman said three other men in the ambassador's chauffeur-driven car were injured in the accident.

mies of their own — a prospect that Washington has indirectly suggested would make it harder for those republics to receive Western assistance.

Although the ostensible purpose of the summit meeting is to put the Soviet-American stamp of approval on the peace conference, the Soviet Union's role in that event is peripheral at best.

A senior official said a fundamental shift in the currents of Soviet-American summery was evident when Mr. Bush went to the Soviet Union for a more formal meeting with Mr. Gorbachev in July.

"Even then, it was becoming more of a meeting with the leadership, rather than a leader," he said.

But since the aborted coup in August, officials said, uncertainty about Mr. Gorbachev's powers as a negotiating partner has increased sharply. That has left the administration in what an official called "an end-game situation" in which Washington is approaching the point at which it must decide whether to deal with the central government or the republics.

"The talk for the past two months is how they are going to create a center, but everything that we've been seeing is moving away from the center," an official said.

MIDEAST: Equal Time Feud

(Continued from page 1)

Syrians cool to this idea, but their spokesman in Madrid, Zuhair Janan, is also insisting that the United States and Soviet Union participate in the Syrian-Israeli bilateral — something the Israelis reject on the grounds that this would dilute the direct nature of the talks.

With the conference only a day away, American and Soviet officials finally announced the agenda for the talks and the shape of the table. The Americans and Soviets decided that the participants will be seated around a specially built T-shaped conference table in Spain's 13th-century Royal Palace.

The United States and the Soviet Union will be seated along the top of the T, where there will also be a lectern for the speeches. Looking down from the top of the T, along the left side of the table, will be seated the representative of Egypt, the representative of Israel and then the representative of Lebanon.

Looking out from the lectern down the right side of the T will be the representative of the European Community, the Jordanian-Palestinian delegation, with one seat for the Jordanian delegate and one for the Palestinian, and at the end of the table the representative of Syria. Behind each representative at the table will be the other 13 accredited members of his delegation. The Jordanian-Palestinian delegation will have six Palestinians and six Jordanians.

Observers from the United Nations, the Gulf Cooperation Council and of the North African states of Algeria, Morocco and Tunisia will be seated over to the side, along with a place for the Spanish foreign minister.

The conference will open at 9:30 A.M. Wednesday with a brief speech by Prime Minister Felipe Gonzalez of Spain, followed by Mr. Bush and Mr. Gorbachev. Then the participants will break for a two-and-a-half-hour lunch, which will be followed by speeches from the EC and Egyptian delegates. That is all for the opening day.

On Thursday, the actual combatants will give their speeches: Prime Minister Yitzhak Shamir of Israel will go first, followed by either the Jordanian and Palestinian delegates, then Lebanon and closing with Syria. Each will be limited to a 45-minute address, with 30-minute breaks between each one.

No delegation will be allowed to have a flag — a concession to the Israelis who said they would not sit with the Palestinians if they were allowed to display the red, black, green and red emblem of the PLO. No opening handshakes between the parties are planned either, as Foreign Minister Farouk Shara of Syria has said that he will not shake the hand of the Israeli delegate.

Friday will be reserved for each party to respond to the other's remarks. They will each be given 15 minutes of response time in the same speaking order as Thursday, and then be followed by closing speeches by Foreign Minister Boris D. Pankin and Secretary of State James A. Baker 3d. Mr. Baker is being given the last word, before the parties break up into separate, bilateral negotiations.

It is only in these separate bilateral negotiations between Israel and Syria, Israel and Lebanon and Israel and the joint Jordanian-Palestinian team where the actual negotiating will take place.

Each delegation will have office space in the Royal Palace, with an identical number of chairs, fax machines and phones and an identical amount of floor space. All of these details, from the shape of the table to the seating arrangements, were worked out by an American-Soviet-Spanish team.

Slovak Separatists Jeer Havel at Rally

BRATISLAVA, Czechoslovakia (WP) — Slovak separatists on Monday jeered and threw eggs at President Vaclav Havel, forcing him and other government officials to cut short an appearance at a rally marking Czechoslovakia's 73rd anniversary.

Mr. Havel appeared for less than three minutes in front of the pro-federation crowd of about 20,000 at the rally in Bratislava, the Slovak capital. He left the podium after separatists in the crowd shouted him down and tossed eggs. Mr. Havel was not hit.

The tumultuous encounter came as the heads of the Czech and Slovak parliaments seek to negotiate new economic and power sharing agreements.

ANC Condemns Israeli Arms Deals

JOHANNESBURG (Reuters) — Nelson Mandela's African National Congress issued a condemnation Monday of the reported supply of Israeli missile parts to South Africa, calling it a gross violation of the 1977 anti-apartheid arms embargo.

The group suggested that the future South Africa's relations with Israel depended on support for the ANC and on the ending of military collaboration with the current Pretoria government. Israel says that although the introduction of the embargo it fulfilled only existing contracts with South Africa. But Western analysts say the two countries' arms trade has since amounted to hundreds of millions of dollars annually.

The Washington Post, quoting U.S. and diplomatic officials, said Sunday that U.S. intelligence agencies had learned that Israeli government-affiliated company had shipped missile components to South Africa during the last year. A spokesman for the firm, Armcor, called the report speculation.

U.K. Editor Fired in Spy Allegations

LONDON (Reuters) — The Daily Mirror said Monday that it had dismissed its foreign editor, Nicholas Davies, who is at the center of allegations that he spied for Israel. Mr. Davies has denied the allegations.

Mirror Group Newspapers said in a statement that Mr. Davies was dismissed by the editor, Richard Stott, after Mr. Davies' "absolute denial" about a visit to Ohio in the United States proved to be untrue. Mr. Davies has the right to appeal to the Mirror Group publisher, Robert Maxwell, who has sued the author Seymour Hersh for libel over the allegations in his recent book, "The Samson Option, Israel, America and the Bomb."

2 Used Suicide Device and Left Video

DETROIT (AP) — Two women who had committed suicide using machines provided by Dr. Jack Kevorkian explained to their family members, in a videotape released Monday, why they wanted to die. Dr. Kevorkian's machines employ lethal injections and gas.

Dr. Kevorkian did not appear at a news conference after being questioned by the police in the deaths of Sherry Miller, 43, and Marjorie Wanz, 58, on Wednesday. Instead, his attorney, Geoffrey Fieger, read a statement in which Dr. Kevorkian urged the formation of a commission to examine the issue of doctor-assisted suicides.

The video was made in Dr. Kevorkian's presence the night before the women died. "I've thought about it a long time, a long time," Mrs. Miller told Dr. Kevorkian. "I have no qualms about my decision. I want to die and I know there's no turning back." Mrs. Miller had multiple sclerosis, which rarely proves fatal, and Mrs. Wanz had a painful but not terminal pelvic disease.

Bush to Hold 6-Nation Drug Meeting

WASHINGTON (UPI) — President George Bush will preside over a six-nation anti-drug summit meeting early next year as a follow-up to the 1990 gathering he attended in Cartagena, Colombia, the White House announced Monday.

Although the site of the event has not yet been selected, sources said the meeting would probably be held in the president's adopted home state of Texas.

The White House press secretary, Marlin Fitzwater, said that the conference might be held as soon as February but that an exact date had not been picked. In addition to Mr. Bush, those attending will include the presidents of Bolivia, Colombia, Ecuador, Peru and Venezuela, he said.

For the Record

Prime Minister Brian Mulroney of Canada has asked for his name to be withdrawn from consideration as a candidate for the post of United Nations secretary-general, the country's UN representative, Yves Fortier, said Monday. (Reuters)

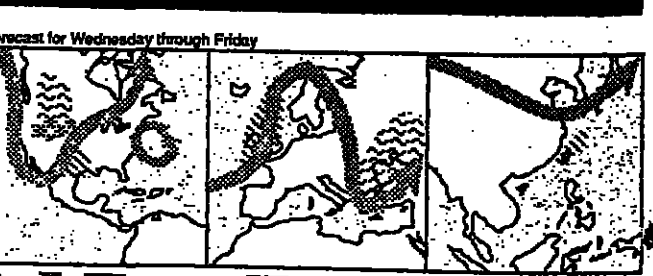
TRAVEL UPDATE

An earthquake in western Japan with a preliminary reading of 6.0 on the Richter scale disrupted rail traffic on Monday. All trains in the northern part of Kyushu Island were temporarily stopped. High-speed train service to and from Hiroshima was also halted for about 10 minutes. There were no reports of damage or injuries. (AP)

More than 500 taxi drivers blocked off a central Moscow square next to the Kremlin for hours Monday in a protest over working conditions. Speakers at the rally, which was organized after the murder of a taxi driver last week, threatened to call a citywide strike unless the authorities helped them obtain better wages and benefits. (AP)

Bahrain unveiled a new passenger terminal at its airport Monday, in the first and biggest phase of a 30 million dollar (\$80 million) expansion aimed at more than doubling capacity. When work is completed at the end of 1992 the airport hopes to be able to handle 10 million passengers a year, compared with around 3 million at present. (Reuters)

The Weather



North America
New York City will be cool and dry Wednesday. A cold front will move in from the north on Thursday, bringing rain and clouds. Light rain and drizzle will persist much of the time. Meanwhile, heavier rains are likely from western Canada through Friday and through Friday.

Europe
London to Paris will have cloudy weather Wednesday. On Thursday, light rain and drizzle will persist much of the time. Meanwhile, heavier rains are likely from western Canada through Friday and through Friday.

Asia
Tropical Storm Ruth will continue weakening as it drifts westward in the South China Sea. Rain will soak Taiwan at midweek and fall at times through Friday in southern Japan, including Tokyo. Seoul, Beijing and Hong Kong will be dry through Friday.

Europe		Asia	
Today	Tomorrow	Today	Tomorrow
Amsterdam 10/65 12/63	10/66 12/63	Amsterdam 10/65 12/63	10/66 12/63
London 10/65 12/63	10/66 12/63	London 10/65 12/63	10/66 12/63
Paris 10/65 12/63	10/66 12/63	Paris 10/65 12/63	10/66 12/63
Rome 10/65 12/63	10/66 12/63	Rome 10/65 12/63	10/66 12/63
Madrid 10/65 12/63	10/66 12/63	Madrid 10/65 12/63	10/66 12/63
Barcelona 10/65 12/63	10/66 12/63	Barcelona 10/65 12/63	10/66 12/63
Brussels 10/65 12/63	10/66 12/63	Brussels 10/65 12/63	10/66 12/63
Frankfurt 10/65 12/63	10/66 12/63	Frankfurt 10/65 12/63	10/66 12/63
Geneva 10/65 12/63	10/66 12/63	Geneva 10/65 12/63	10/66 12/63
Vienna 10/65 12/63	10/66 12/63	Vienna 10/65 12/63	10/66 12/63
Zurich 10/65 12/63	10/66 12/63	Zurich 10/65 12/63	10/66 12/63

North America		Europe	
Today	Tomorrow	Today	Tomorrow
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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Europeans Make History

One of the great successes of economic history, the European Community, is now exerting enormous magnetic attraction throughout its part of the world. One by one, its neighbors are deciding that they cannot afford to stay out of it.

There are currently two kinds of outsiders: small countries that are very rich, and the somewhat larger, much poorer countries of Eastern Europe. An agreement with the European Free Trade Association means, in effect, that the European Community will bring most and perhaps all of the rich outsiders into full membership within the next several years. The new European Economic Area is likely to be no more than a transitional stage. When it goes into effect at the beginning of 1993, these outsiders will be full members for all practical purposes but one — they will be living under rules that they have no voice in writing. That will give them a substantial incentive to take the final step of joining the Community's rapidly evolving political structure.

The free trade association's purpose in recent years has been chiefly to provide trade privileges to countries that, by tradition or out of necessity, were neutral — Sweden, Switzerland and its tiny appendage Liechtenstein, Finland and Austria. With the collapse of the Soviet bloc, neu-

trality ceases to have much meaning, and the attractions of the Community are drawing them in.

As for the East Europeans, it is beginning to be taken for granted that several of them — Poland, Czechoslovakia, Hungary — will join the Community eventually, late in this decade or early in the next. By then it seems likely that the Community will have more than 20 members.

Remarkably, this is happening at a time when the Community is demanding more of a political commitment from its members and is moving fast to build a genuine federal government to tie them closely together. The present members have already contributed large areas of their sovereignty to the common enterprise, and in December they will meet to enact a much tighter economic and monetary union.

If that December meeting is successful, the newcomers will be joining not a loose association of independent countries but a multinational federal state — by far the largest in history. The European Community was invented to provide the economic base for peaceful and stable democracy. It is working on a scale that, at any time until the past couple of years, would have been beyond imagination.

— THE WASHINGTON POST.

If Congressmen Care

It is scarcely news that Americans are disenchanted with Congress and politicians generally. It is news when two-thirds of the people think that politicians are corrupt. According to a New York Times/CBS News Poll taken after the House banking scandal and the Senate's embarrassing Clarence Thomas hearings, only 29 percent of Americans say they like the way Congress is handling its job. More devastating was the response when people were asked whether politicians generally were "financially corrupt" or "honest." Only 34 percent said: honest.

The need to restore integrity to political life is obvious. And the best place to begin is at the top, with a massive overhaul of Congress's odious system of campaign financing. The honesty question was not aimed specifically at members of the House and Senate, but there is little doubt that the sense of self-indulgence Congress conveys is a huge factor. Average citizens are not alone in their frustration. One Democratic senator lamented privately the other day that re-election costs are so high that he has become a vagabond mendicant, spending 80 percent of his time traversing the country to raise money. This, he says, distracts him from serious issues and invites a continuing, corrosive relationship with the pressure groups that pay his bills. "What do I need this for?" he asks.

He also wonders whether Congress still has sufficient self-respect to clean house. A proposal now before the House is a crucial test. The measure, sponsored by Sam Gejdenson, a Connecticut Democrat, would slow the money chase by establishing a system of public matching funds and

spending limits for congressional races. The system would also make it easier for challengers to mount competitive races, thereby removing one rationale for the misgued term limitation movement.

Mr. Gejdenson's plan is weaker than the campaign financing measure already approved by the Senate. The Senate version bans sewer money — the stream of \$100,000 contributions made through party committees to avoid the federal limits on direct giving to candidates. The Gejdenson proposal would let the big checks keep flowing, a loophole that could invite massive cheating. Yet House approval would represent a big step forward. It would send the bill on to a conference with the Senate, where — if the Senate majority leader, George Mitchell, holds firm — the crucial provisions on sewer money can be preserved.

Greed is one enemy of reform. Some members balk at even a modest limit on contributions from special interest political-action committees. Fear is another. Some members are too cowardly to vote for tax dollars for public financing.

Sure, a lot of Americans don't like the idea of using tax dollars for politicians' campaigns. But it is the only practical way to reduce reliance on favor-seekers, and so far, House Speaker Thomas Foley has tried very hard to persuade the public that it is the right course.

If the polls are right, the public would welcome almost any reasonable alternative to business as usual. If congressmen genuinely care about their institution, and not just themselves, they have no choice but serious reform.

— THE NEW YORK TIMES.

Bare Knuckles On-Line

As electronic message networks and so-called "bulletin boards" spread to more and more enthusiastic on-liners in America, the difficulty grows for these services' corporate owners in deciding exactly what kind of a product they are offering. Is an electronic communications network a free marketplace of ideas, like the postal service? A partially regulated forum, like the broadcast media? Or simply an information-giving product that can be edited at the owners' discretion, like a magazine? One way this self-definition is taking place is through the challenges to free speech that keep cropping up for these services as users explore their capabilities. That is the problem that confronted Prodigy Services Inc. last week, when the Anti-Defamation League of B'nai B'rith went public with complaints about anti-Semitic material being broadcast on the bulletin boards. Prodigy's response shows that the identity question remains open.

Prodigy, a message and shopping network jointly owned by Sears and IBM, had been tugging for months with the issue of free speech on-line — but from a different perspective. Until last summer the network had a reputation for luring its users by seemingly arbitrary, sometimes heavy-handed blocking of "bulletin board" messages. Such a service has every legal right to block messages; the only question is whether it is smart policy. Prodigy's bulletin board vetters used to routinely remove personal insults, commercial solicitations, messages that strayed from the topic at hand and messages protesting new fees levied by Prodigy. But Prodigy representatives say they got so much flak that they finally decided to "adjust to the community's wishes" on free discourse and to step back from controlling the flow of talk. Now guidelines just outlaw anything "grossly repugnant to community standards."

In this context the demand of the Anti-Defamation League that Prodigy refuse access to a wide range of "offensive" comments is an unfortunate attempt to nudge the service back the other way. The league's complaints ranged from repellent stuff on the Holocaust (which proved on investigation never to have appeared on the bulletin board, just on personal wires) to more run-

of-the-mill anti-Israel political commentary, which Prodigy insisted, and continues to insist, falls within the guidelines mentioned. The league continues to press for a new rule to exclude comments such as "Israel is the source of all the problems in the Middle East" and assertions that the Holocaust never happened, on the grounds that, as long as Prodigy adheres to any guidelines, free speech is not at stake and material that could offend some groups should be banned, too.

But free speech is not just a matter of legal obligation — it is also a good idea, the best one around for combating prejudice and ugly talk. Certainly there are levels of (for instance) anti-Semitic or racist invective that count as "grossly repugnant." The comments Prodigy did reject fell in that category. And yet even these carried an introduction from the subscriber that "I found this letter from [Mr. X] in my mailbox; I believe it deserves public airing so readers can evaluate his other postings." In other words, an attempt to expose a writer's filthy views by further disclosure — a classic benefit of free speech.

The benefit of response is even clearer for the kinds of hostile comments that Prodigy correctly chose to leave on the screen. The league's effort to undercut this value — to muzzle bare-knuckled debate by appealing to computer networks' as yet fuzzy status — is a misguided one.

— THE WASHINGTON POST.

Other Comment

South African Re-Entry

The lifting of Commonwealth sanctions gives us far greater scope to participate in the integration of regional economies and in the creation of a lustrer regional market. And we have to realize that we will best serve ourselves if we take into account the economic and political aims of our neighbors. That implies a social contract between labor, business and government which acknowledges that it takes time and effort to create wealth and to distribute it equitably.

— Business Day (Johannesburg).

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Israelis and Palestinians Need Expert Help

By Roger Fisher

CAMBRIDGE, Massachusetts — Secretary of State James Baker's persistence may lead Israel and the Arabs to sit down together in Madrid, but there is little basis for optimism. People virtually ignore questions of process as they focus on "what really counts" — substance. "I don't care which road I take, as long as I get there." But the road taken determines where we end up.

Until now the parties have treated negotiations as pure bargaining that reward intransigence. The more extreme Israel's position ("not one inch of territory for peace") and the more stubbornly Israel resists making any concession, the greater chance it sees of retaining the occupied territories. Palestinians, too, are under pressure to adopt extreme positions ("no recognition of Israel"). For Israel, direct negotiations are unlikely to produce an agreement with anyone — Palestinians, Syria, Jordan, Lebanon.

Since a Palestinian peace is likely to be the heart of the matter, a key question arises: How to produce a plan that can be adapted later for others? To design an effective process we need to understand two crucial points: Today each side reasonably says no to what the other demands, and neither is able to put forward a realistic proposal of its own.

The most basic Palestinian demand is for statehood. As Israel asks itself "Shall we now agree to a Palestinian state?" the negative consequences of saying yes are overwhelming. We antagonize many con-

tinuists that the Palestinians give up the idea of a state.

How does that choice look to those asked to abandon the goal of a Palestinian state? If they say yes, the negative consequences include: We abandon our right to self-determination; we give up our rights under the partition resolution; we yield to Israeli military force; we accept endless domination; we abandon all those who have fought and died; we get nothing now and reduce our chance of getting anything in the future. For Palestinians the reasons for saying no are compelling. Hence the deadlock.

Better answers cannot be expected until a better proposal is on the table. Yet neither Israel nor the Palestinians can be expected to advance a better proposal.

No Israeli government has ever officially proposed what Israel's boundaries ought to be, for good reason. Any proposal would alienate many constituents: those who want to keep the territories, those who want to treat all residents democratically or those who want an overwhelmingly Jewish state. Israel cannot be big, democratic and overwhelmingly Jewish.

And while costing an Israeli leader needed support, a peace plan would be treated by Palestinians as an opening position from which to demand further concessions.

This is why Israel has always found it far easier to accept (with great reluctance) a proposal put forward by others, whether partition, Security Council Resolution 242 or the Camp David accords.

The Palestinians have a comparable problem. Any specific proposal will offend many constituents and be rejected by Israel as inadequate.

These difficulties will not be overcome by having Palestinians and Israelis talk face to face. Neither will they be overcome by trying to reach an agreement in principle first and filling in the details later. That process works well only when the parties have great confidence in each other. "Let's get married." Where there is hostility and distrust, each wants to know what it is getting into before it makes a commitment.

Talking about a "peace process" will not produce peace. In the past, progress has been made only when somebody other than the parties

drafted the terms. Accepting that premise, the questions become what should be drafted, how and by whom.

Mr. Baker apparently wants to have the Madrid conference produce an interim agreement providing some kind of Palestinian autonomy for a few years. Any such agreement would presumably stop the violence, limit new settlements in the West Bank and

The Security Council could pick the better draft. Proponents of each would compete to make their proposal the fairer.

buy time. But the parties would examine suspiciously each word in such an agreement — about Jerusalem, borders, land, water, electricity, police power, courts, elections — for its possible impact on a final settlement. The passage of time may make peace ever more difficult, so it seems better and possibly easier to work now on the terms of a final settlement.

A desirable approach would be based on the successful one used at Camp David to produce the Israeli-Egyptian accords. A small team of outsiders in Madrid would use what I call a parallel one-text procedure.

This involves work not on a single draft but simultaneously on two possible versions of a settlement. One would be the text of an agreement that, without a Palestinian state, would seek the best possible reconciliation of legitimate Israeli and Palestinian interests. The second would seek to produce the reconciliation of those interests if there is to be a Palestinian state. This draft might take the form of a Security Council resolution accepting Palestine as a United Nations member, provided it accepted a long list of terms. Such terms might provide for a neutral, unarmed state with open borders.

The texts would be nonbinding drafts to which no one would yet be committed. But they would constitute what experts considered the best possible agreements for all concerned on the alternative assumptions: that there would or would not be a UN member called Palestine.

A Politician Needs Principles and Good Manners

By Vaclav Havel

President Havel of Czechoslovakia received an honorary doctor of laws degree on Sunday from New York University. Here are excerpts from his address:

That the very essence of politics is not dirty; dirt is brought in only by wicked people. I admit that this is an area of human activity where the temptation to advance through unfair actions may be stronger than elsewhere, and which thus makes higher demands on human integrity. But it is not true at all that a politician cannot do without lying or intriguing. That is sheer nonsense, often spread by those who want to discourage people from taking an interest in public affairs.

Of course, in politics, just as anywhere else in life, it is impossible, and it would not be sensible, always to say everything bluntly. Yet that does not mean one has to lie. What is needed here are tact, instinct and good taste. That, in fact, has been one of the things that surprised me most in the realm of high politics, where good taste is more important than all the education in political science.

All this is a matter of form: knowing how long I should speak, when to begin and when to finish; how to say something politely that the other party does not like to hear; how to pick out what is essential at the given moment and to refrain from talking about nonessential things that nobody is interested in listening to; how to remain steadfast in one's position without offending the other party; how to create a friendly atmosphere in order to facilitate demanding negotiations; how to keep the conversation going without imposing oneself on one's partner or creating in him the impression that he is being ignored; how to maintain a balance between the serious political subjects and the lighter, relaxing

ones; knowing when and where to appear, and when and where to remain absent, and what measure of candor or restraint to choose.

It is also a matter of having a kind of instinct for the period, for the atmosphere that marks it, for the sentiments of the people, the nature of their troubles, and their mental disposition. That, too, is perhaps more important than various sociological surveys.

While education in political science, law, economics, history and culture is certainly invaluable for every politician, it is not, as I can see time and again, the most important thing. Much more important are establishing contact and maintaining a sense of measure, the ability to imagine oneself in one's partner's position and to address him, and the capability of perception and the quick assessment of problems and the condition of human souls.

I certainly do not mean to imply that I possess all these qualities. But when a man has his heart in the right place and good taste, he can not only do well in politics but is even predetermined for it. If someone is modest and does not yearn for power, he is certainly not ill-equipped to engage in politics; on the contrary, he belongs there. What is needed in politics is not the ability to lie but rather the sensibility to know when, where, how and to whom to say things.

It is not true that people of high principle are ill-suited for politics. The high principles have only to be accompanied by patience, consideration, a sense of measure and understanding for others. It is not true that only coldhearted, cynical, arrogant, haughty or brawling persons can succeed in politics. Such people are naturally attracted by politics. In the end, however, politeness and good manners weigh more.

International Herald Tribune.

America on the Couch for Some Self-Examination

By Jim Hoagland

WASHINGTON — This is one of those times when Americans make no sense to Europeans, even to those who know and like us. The excesses and emotions brought to the surface by the Clarence Thomas confirmation hearings and Senate vote happen only in America.

The world has seen the American political system easily swallow the enormous presidential lie that Judge Thomas was chosen not because of his race but because he was the best qualified American for the court — then choke on ancient accusations of verbal sexual abuse leveled at him by a woman who continued to benefit from his patronage while feigning abuse.

"I just can't fathom it," a British diplomat says. "In my country, we name someone to a job, see how they do it and then ruin them if they do it poorly or corruptly. In America, you ruin them first."

Adds a visiting British journalist: "The polls say in effect that the Senate confirmed a man who is believed by one-third of the American public to have peddled himself in the hearings. The effects of this will be felt for 30 to 40 years in American life. Putting Thomas on the bench in these circumstances is like burying plutonium waste in a nearby landfill."

While the British focus on the problems of "process," the French and Germans predictably concentrate their commentary on the quality of American culture as seen in the Thomas case. They seem shocked by what we Americans find shocking in human nature.

The Thomas hearings put America on the couch for the rest of the world. What, other nations ask with arched eyebrows, does this represent about American attitudes toward sexuality in the workplace and in public in general? What fantasy is this rich

overgrown child acting out now?

Taken to its logical extreme, the Thomas case seems to say that there is no place in the workplace for overt sexuality, just as there is no place for smoking or for non-recyclable cans and bottles in many workplaces today. "Coming to America these days feels like slipping on a straitjacket," says a French friend.

The second question they ask: How does one reconcile the prudish

Periodically a Thomas case comes along to force Americans to confront and debate who we are and who we want to be.

overtones of the developing law on sexual harassment with America's sex-obsessed advertising and entertainment industries and its thriving pornography business?

One doesn't. At least I can't. It seems to me that confusion exists among foreigners and even Americans because some of the key assumptions at the heart of the Anita Hill-Clarence Thomas clash went unarticulated or unexamined, either because they were too embarrassing to be dealt with in public or because they are buried too deeply in the national subconscious.

One unspoken subtext of Professor Hill's otherwise graphic testimony was that discussion of pornography in the workplace is in and of itself an instrument of sexual harassment. She said that Judge Thomas had not brought up pornography to entice her

into a sexual quid pro quo but rather to make her feel vulnerable.

OPINION

For the BCCI Connection, A Reluctant Prosecution

By William Safire

WASHINGTON—On July 23, acting on a tip from an informant familiar with the political reach of BCCI, I posed this question to White House counsel Boyd Gray: Did John Sununu have any dealings with BCCI or its subsidiaries? Mr. Gray checked and called back promptly: "No. A flat denial." Accordingly, I wrote nothing; an unimpeachable denial relayed through the president's attorney squelches a rumor.

However, we now know from Newhouse Newspapers that at about that time, Ed Rogers—Mr. Sununu's right-hand man, political protégé and personal press agent—was in the process of being hired by Sheikh Kamal Adham, the former chief of Saudi intelligence suspected of being at the heart of the biggest swindle in history.

This same Sununu today helped organize the May 23 meeting that founded the Arab American Council, an oil-backed elite lobbying group that scorns broader-based Arab-American organizations. Mr. Sununu and the Syrian ambassador were stars of the gathering; out of Lebanese contacts made there or later, I presume, came Mr. Rogers's huge contract.

Here is a 33-year-old Bush political hatchet man, a 1985 graduate of the University of Alabama School of Law who never practiced law a day in his life, retained by an accused criminal mastermind at the rate of \$25,000 per month for two years. Plus expenses, which will be considerable. Plus, logic suggests, the ability to pass other fat fees on to influential lie designers.

The \$600,000 initial payment from Sheikh Kamal could be, as Mr. Rogers insists on his foreign agents registration form, for his legal expertise as well as for "duties that could border on political." Mean-spirited types like me suspect that it may be for access to intermediaries who speak to Mr. Sununu and to other Bush appointees beholden to the chief of staff.

Victims and Villains
EVEN the growing crowd of conspiracy buffs salivating over the BCCI case have problems figuring out the intricate story. For example, it is sometimes hard to tell the villains from the victims. The dimensions of the BCCI story are colossal. Presidents, prime ministers, coin men and terrorists were drawn in by BCCI's seemingly limitless supply of cash, perhaps in some cases because BCCI seems to have posed as an enthusiast for Third World development, backing causes that could give it an aura of respectability. It will take years for investigators to make sense of the mountains of paper the scandal has generated.

—Mark Hosenball, commenting in *The Washington Post*.

thereby circumventing the ethics law. Something fishy is behind the government's reluctance to prosecute aggressively the well-connected predators of the Bank of Credit & Commerce International. Mr. Rogers claimed last summer that his boss was being criticized only because he was of Lebanese extraction; now that the connection has been revealed between BCCI and Mr. Sununu's Alabamian right arm, that excuse won't fly.

At first, President George Bush said of Mr. Sununu's aide: "He is a free citizen to do anything he wants once he leaves the White House." Wrong; there is a law against revolving-door lobbying.

Then Bush fired Mr. Rogers and that Mr. Sununu never talked to his right-hand man about this out-sleazying of Mike Deaver; that's Tooth Fairy stuff.

The new attorney general, who was present at Justice's sustained foot-dragging in BCCI and the Bank of Lavoro rip-offs, promptly labeled the concern that Mr. Sununu or anyone might have influenced the BCCI probe "utter nonsense." That prejudgment removes Justice from any investigation of the Sununu connection.

The final White House ploy to avert a close look at possible influence-peddling came when Mr. Bush directed Mr. Gray to inquire into it. I have seen the extent of such an "inquiry." Mr. Gray will pass along the denials and the White House whitewash will continue.

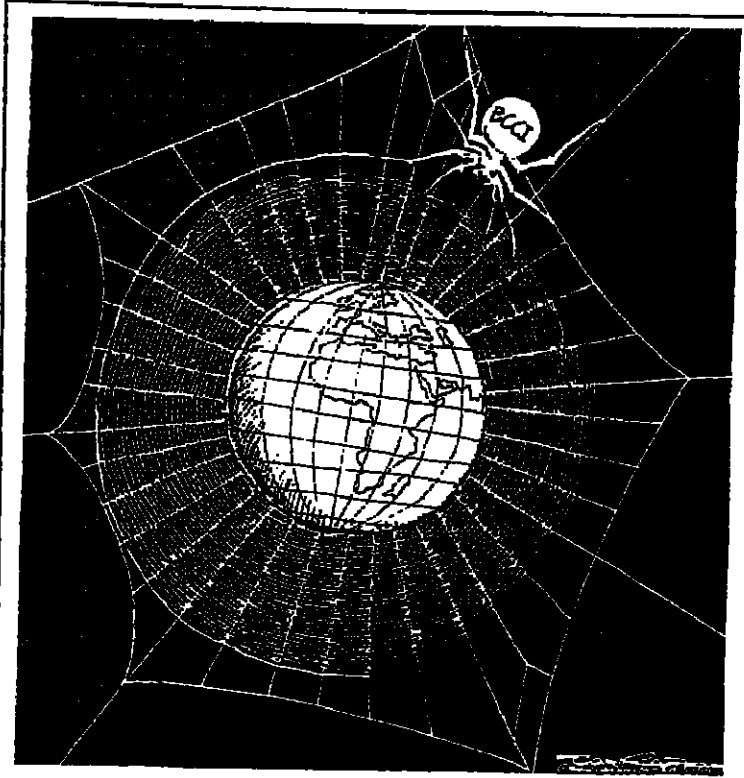
Did the CIA obstruct the investigation of one of its banking assets? Why did James Baker's Treasury Department fail to act on a CIA tip about BCCI drug-money laundering? Who in Washington tipped the drug lords to a belated crackdown, enabling them to withdraw their money first? Who else at or near the top took BCCI's largesse?

The White House and the Justice Department cannot investigate themselves; this latest affront tips the scales to a special prosecutor. The chairman of the Senate Judiciary Committee, Joe Biden, could trigger this process.

Step One is to subpoena Mr. Sununu's phone logs and schedules, and to get him under oath on his easy denials. Step Two is to do the same with Attorneys General Dick Thornburgh and William Barr and their criminal division chiefs and at least three misfeasant U.S. attorneys. Then grill Mr. Rogers and his intermediaries.

If you have information about manipulation of prosecutors, do not contact posterior-covering Justice or its FBI subsidiary; send your evidence to the uncorrupted Manhattan district attorney, or to Senator John Kerry, Democrat of Massachusetts, or to Representative Charles Schumer, Democrat of New York. They will pass it to the special prosecutor so urgently needed.

The New York Times.



Keep the Loose Canon Well Loaded

By Morris Dickstein

NEW YORK—One of the best contributions to the current American debate on the classics and the curriculum was written 40 years ago in Buenos Aires. Jorge Luis Borges's essay "Kafka and His Precursors" is a fable about how Kafka's work somehow influenced writers who preceded him. His point is that they begin to look Kafkaesque once we have read Kafka himself.

Mr. Borges's choices are fanciful but his conclusion is not: "Each writer creates his precursors. His work modifies our conception of the past, as it will modify the future."

The critic Harold Bloom once cited Mr. Borges's partly tongue-in-cheek essay as a key to poetic influence, but we can see it as a parable of the ever-changing canon, our literary past, always being reoriented by new departures in contemporary culture.

The American canon today is full of writers resurrected or transformed because powerful new writers made them accessible, as when T. S. Eliot invented John Donne, Allen Ginsberg opened up a different Walt Whitman and Alice Walker rediscovered Zora Neale Hurston. These changes were in tune with

broad cultural movements: modernism, the '60s counterculture, black feminism. This historical pattern demolishes the misguided notion of a fixed and unchanging canon, just as it undermines any calculated affirmative action approach to literary reputations. Instead, we observe the shifting tides of

MEANWHILE

critical judgment, influenced by what each period needs and what the best new writers are creating.

Such a literary view of the rise and fall of writers and reputations holds little appeal for strident ideologues on both sides of the canon controversy. They debate the issues entirely in political terms: Who controls the reading list? Who gets into the widely adopted anthologies? How is this text deceiving and indoctrinating us? What institutional forces lie behind it? Our sense of writers and their work has been swamped by this struggle for cultural power.

Multiculturalism has a long history in

America. Our literature has repeatedly been enriched by outsiders who became insiders—regionalists like the Southern and Western writers, Jews with their European and immigrant baggage, blacks bearing the historical weight of slavery and migration, women whose experiences undercut cherished male myths. There are political dimensions to this struggle for recognition, but many see only the political dimensions.

Conservatives like William Bennett and Lynne Cheney, who decry a tide of illiteracy and political correctness eroding Western values, are matched by cultural radicals who arraign the classics for bolstering racial, sexual and economic oppression.

Each side is profoundly ideological; each needs the other to confirm its caricature of a monolithic canon freighted with a particular set of values that one camp upholds and the other condemns. Neither will allow for the unpredictability of individual works, which constantly open themselves to new interpretations; for the enormous variety of the canon itself, porous, shifting, many-faceted; for the surprising tolerance of the Western tradition, with its varieties of dissent and internal contradiction.

We are seeing something different from previous conflicts over multiculturalism in America. As each side jockey for academic influence and public support, as they strain to delegitimize their antagonists, they threaten to discredit the whole process by which marginal groups have always entered the mainstream.

The pressure for change is inevitable, thanks to the broader student population in the universities, the new outlook of faculty trained in literary theory, the genuine strength of some rediscovered writers, and the real history of prejudice and exclusion that helped undermine the idea of a common culture. But changing the reading list and altering the textbooks will not in itself reshape the canon or rewrite literary history. Affirmative action in cultural studies is well-meaning but futile. Only the best new writers will make us want to read their neglected forebears, and only the most thoughtfully chosen works will overcome the obstacles to literacy today. And it will take critics and teachers with unusual gifts to help us learn to read them without discarding the best our tradition has to offer.

The writer teaches English at Queens College and the City University of New York Graduate Center. He contributed this column to *The New York Times*.

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LETTERS TO THE EDITOR

A Bomb Is Still a Bomb

Regarding "Drop the Bomb in History's Basket" (Meunville, Oct. 23) by Bruce Sterling.

A vivid metaphor: "I've had the Bomb strapped to my back all my life. Sadly, I'm no longer frightened. I'm injured, and I'm beginning to be simply offended." It's too cute to be "simply offended." The Cold War of Mr. Sterling's youth is indeed over, and we no longer fear the showdown of the two original megapowers. Now we face the spread and use of nuclear weapons technology in other countries, as we see from the recent revelations in Iraq.

The Bomb is still "terrifying," not yet "irrelevant," and not at all "history." That irrelevance is still in the realm of science fiction or, more simply, fiction. A bomb tossed carelessly into a basket is still a bomb.

ALEXA INTRATOR,
Fermey-Voltaire, France.

A Back-to-Bonn Movement

Occurring less than three months after the Bundestag's controversial decision to move its seat to Berlin, nationalistic violence in Germany and militant use of Nazi symbolism ought to be more than enough for the present Bundestag to reconsider its ill-advised vote to end a long and peaceful presence at the federal seat in Bonn for a venue once scheduled to become the Nazi stronghold capital of a subdued Europe.

It is to be hoped that a strong, re-

sponsible civic movement, aroused by the towering cost and frightful implications of the move, will be able to restore moderation to political life in post-mural Germany.

JUERGEN HEITSCH,
Berlin.

When Is It Postwar?

I have had a hard time figuring out where this "postwar world" might be. I ask myself: Could that be the post-World War II world? Or the post-Gulf war world? I don't think Yugoslavia has made "postwar" status. Perhaps you could tell us when we can catch a shuttle to the "postwar world" I keep reading about.

MELISSA JONES,
Krakow, Poland.

Getting in Touch

Regarding the report "Feminists' Vow All-Out Drive to Put Women in Congress" (Oct. 18):

I would like to extend personal thanks to Eleanor Smeal, president of the Fund for a Feminist Majority, for acknowledging with such precision that "the Senate has done more in one week to underscore the critical need for more women in the Senate than feminists have been able to do in 25 years." Such an admission of failure is refreshing from Ms. Smeal, however arguable it is that the Senate achieved anything at all during its confirmation hearings on Clarence Thomas.

Twenty-five years of failure is nothing

to sneeze at. It is time to take stock, Ms. Smeal. What could be the reason for 25 years of failure? Could it be that you simply do not speak for American women? Could it be your loathing of men, when so many of us have husbands and fathers and sons and male friends we love? Could it be your espousal of abortion, when countless babies are aborted simply for being female?

Get in touch with those you would like to represent, Ms. Smeal. Or look forward to 25 further years of failure.

G. WHITNEY,
Stonehaven, Scotland.

Worthy of Attention?

I recall reading, something like 50 years ago, of a Southern black who was jailed for allegedly looking lasciviously across the street at a white woman. Everybody thought of it as racist. What nobody bothered to think was that it was absurdly paranoiac.

The entire Thomas issue is every bit as absurd. The important issue should not be whether Judge Clarence Thomas or Professor Anita Hill is to be believed, but whether, if this sort of thing happens, it is worthy of attention.

Let me put words into the mouths of them both:

Professor Hill: "Judge Thomas said some things to me that were in extremely poor taste."

Judge Thomas: "No, I didn't."

Isn't that what it was all about?

H. M. THORNTON,
Hong Kong.

Professor Hill did professional women and men everywhere a great disservice. In her apparent assumption that she had no immediate responsibility to resist any treatment she considered unjust, she gave the world a very poor view of American business practices and an especially poor view of the role of professional women in the United States.

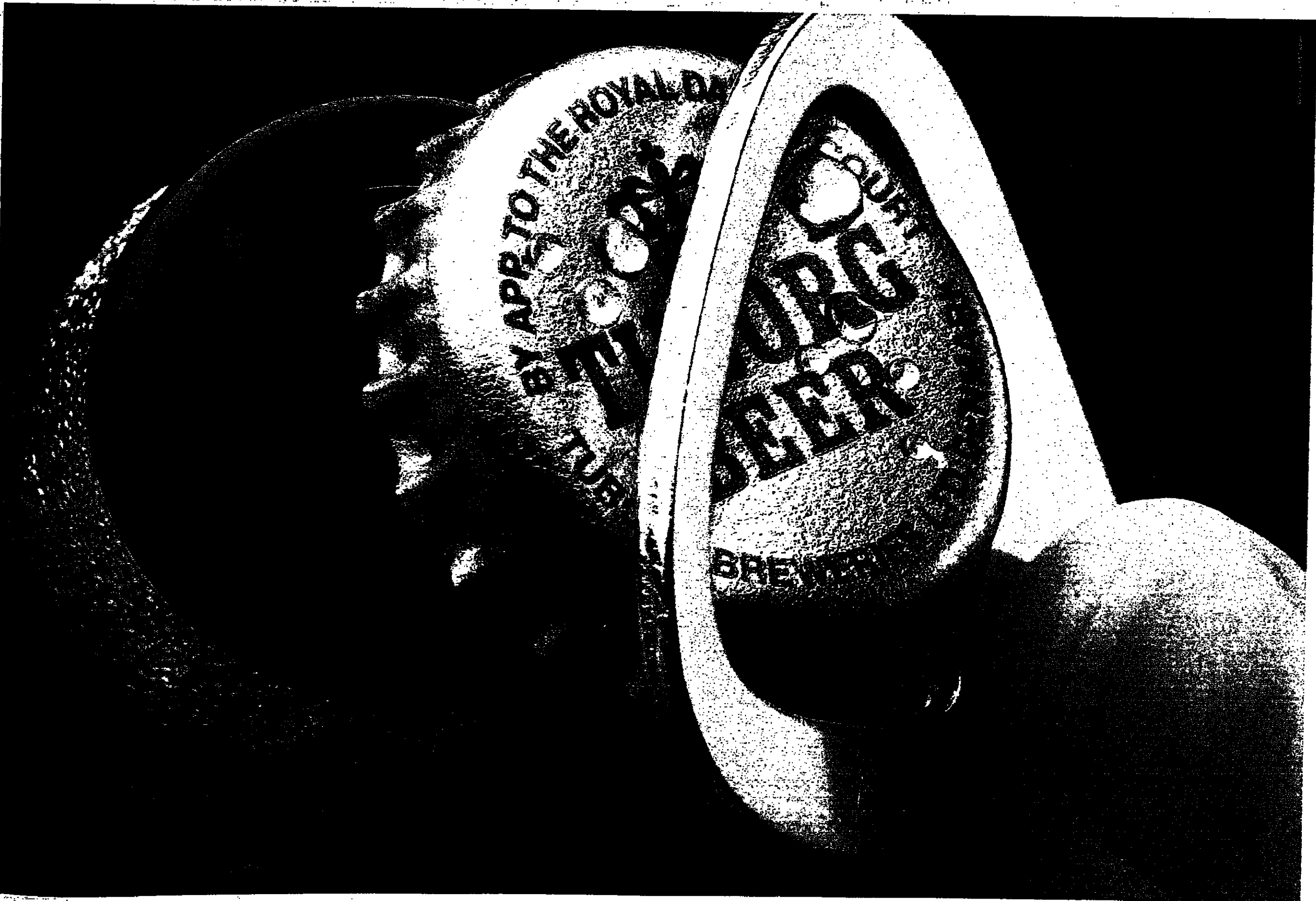
A. N. FISHBURN,
Carmel, California.

The Stakes in Louisiana

The Nov. 16 election for governor in Louisiana is of interest to all who oppose racism and uphold democracy. David Duke, a former leader of the Ku Klux Klan and stated supporter of neo-Nazi ideology, is counting on the support of white voters attracted to his racially tainted platform of welfare system reform. Mr. Duke's past, however, suggests that he has an intention much more frightening than the overhaul of admittedly mismanaged social programs. His feelings toward blacks are obvious.

As recently as 1986, Mr. Duke went on record against Jews, condemning them "to the ashbin of history," and he compared his grass-roots crusade to the beginnings of the Third Reich. Clearly this is a dangerous man worthy of any Hitlerian comparisons. It is the responsibility of no less than George Bush as the highest elected official of the Republican Party, which Mr. Duke represents, to condemn his candidacy outright.

RICHARD VEITH,
Paris.



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EC Warns Serbia Of More Sanctions

Compiled by Our Staff From Dispatches

BRUSSELS — European Community foreign ministers warned Serbia on Monday to stop blocking an EC peace plan for Yugoslavia or face escalating sanctions.

In fighting the federal army, the EC said, the Serbian government was blocking the peace plan, but there was reportedly no fighting around the Adriatic port of Dubrovnik, where thousands of people are still trying to flee.

A Yugoslav plane bombed the Hungarian border town of Barcs, damaging houses but causing no casualties, Hungarian Defense Ministry sources said.

The Dutch foreign minister, Hans van den Broek, said Serbia would be given until Nov. 5 to accept the principles of the peace plan.

Speaking on behalf of the current Dutch presidency of the EC, he said that the leaders of Yugoslavia's six republics would be asked to approve the plan at the next session of an EC-sponsored peace conference on Yugoslavia in The Hague on Nov. 5.

At the previous session of the conference, on Friday, Serbia was alone in rejecting the plan outright.

Mr. van den Broek said that if it continued to do so, EC leaders would be asked to decide two days later on economic sanctions against whichever republics refused to accept the EC peace plan.

He said the EC leaders would make the sanctions decision in Rome, on the sidelines of a North Atlantic Treaty Organization summit meeting on Nov. 7-8.

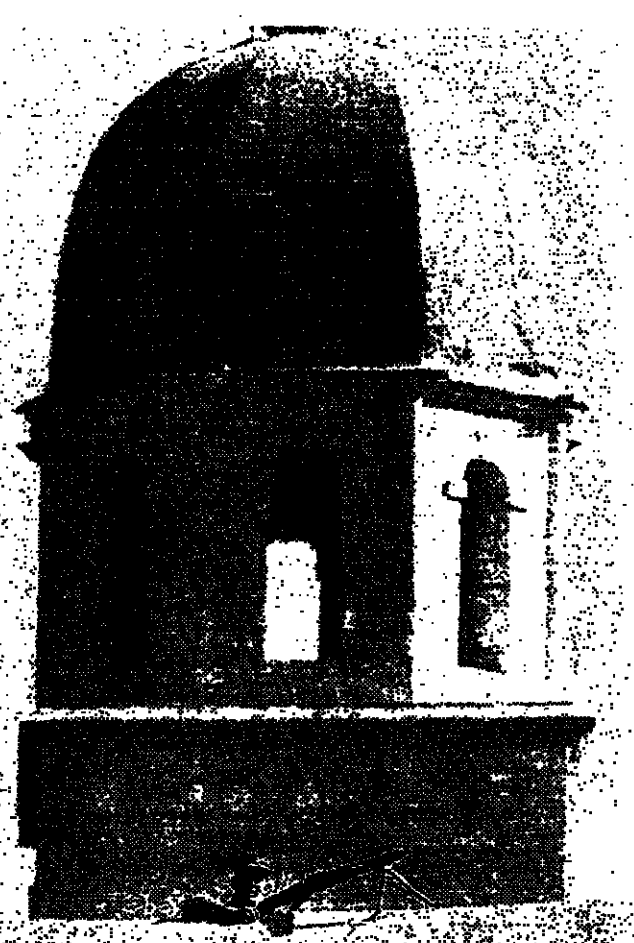
A possible sanctions package is to be presented to EC foreign ministers by the EC Commission next Monday.

Diplomats said that, initially, the EC would cut its economic cooperation and trade preferences with Yugoslavia, then restore them with the Yugoslav republics that accepted a peace settlement. This would amount to the economic isolation of Serbia.

On Friday, President Slobodan Milosevic of Serbia rejected the EC plan for a loose association of Yugoslav republics.

The plan, which was accepted to a greater or lesser degree by the other Yugoslav republics, included mechanisms for ensuring autonomy and protection for ethnic minorities.

(AFP, AP, Reuters)



A Croat standing guard at the Dubrovnik old town castle.

KASHMIR: With Its Daily Death Toll, a Paradise Lost to Ethnic Wars

(Continued from page 1)

Others fight for unity with Pakistan and the imposition of a fundamentalist Islamic state. It is impossible to say how many guerrilla factions are operating in the valley, but local journalists put the number as high as 120.

Western and Asian diplomats in New Delhi say that across the border, Pakistan's Inter-Services Intelligence, the army's intelligence unit, runs training camps for the fundamentalist guerrilla groups that favor the incorporation of Kashmir into Pakistan.

Pakistan has begun withholding arms from those groups that advocate independence, the commander of one such group said. This has led to friction between guerrilla organizations and increasing attacks between groups.

India's senior official in Kashmir is the state's governor, Girish Chandra Saxena, the former head of the Research and Analysis Wing, the country's equivalent of the Central Intelligence Agency. He defends India's performance in Kashmir.

"We are fighting a proxy war," he said, making it clear that he regarded the insurgents as marionettes manipulated by Pakistan. "Either you back up and surrender, or you face the situation."

"Since January, the security forces have been attacked more than 1,000 times, 140 times by rockets," he said. "Here and there, there will be overreaction. There will be deaths of innocent people in crossfire. This is not a pattern, but this is a difficult situation. In this kind of situation, this is as clean a way as we can fight."

All together, there are 15,000 paramilitary police officers in the valley whose sole task is fighting the guerrillas. Two army divisions, or about 40,000 soldiers, guard the border with Pakistan.

Since the beginning of the year, the governor said, about 1,000 guerrillas and 290 members of the security forces have been killed.

Journalists in Srinagar contend that many of those killed are civilian bystanders later labeled as guerrillas.

The governor acknowledged that not a single army or paramilitary soldier had gone to prison for the illegal use of force in the last two years, despite innumerable reports of human rights violations. He insisted that reports from outside observers were exaggerated.

"We want to restore normalcy and establish conditions in which economic activity can progress at a fast pace," Mr. Saxena said. The problem, he added, is that "our neighbor has trained more than 10,000 militants and equipped them with arms."

"We are not fighting the people. We are fighting the people who are wielding the guns."

Although he conceded that Kashmiris had grievances against India, he insisted that the roots of the guerrilla war were under way were not in those grievances, but in the machinations of Pakistan.

"It's all controlled from that side," he said. "It is a classic example of state-sponsored terrorism."

After a winding drive that passes into an area cordoned off for the moment by the Jammu and Kashmir Liberation Front, the car carrying a visitor stops at a house. A young man emerges. "I'm Javed Ahmad Mir," he says.

As the chief of the Jammu and Kashmir Liberation Front's forces in Kashmir, he is a man wanted by the government. His organization reportedly has the widest popular support of any faction, although it is presumed to be militarily less powerful than the fundamentalist Hizbul Mujahidin.

The Liberation Front "stands for the complete independence of Kashmir," he said, making it clear that the territory he had in mind embraced not only the Indian state of Jammu and Kashmir but also that part under the control of Pakistan and known in that country as Azad, or Free Kashmir, as well as parts seized by China after its war with India in 1962.

Mr. Mir made little of the differences between the Jammu and Kashmir Liberation Front and the more fundamentalist guerrilla or-

ganizations. But he said his group opposed both the tactics and goals of many of his counterparts.

"We did do kidnapping in the initial stages," he said. "But since then, the JKLF has made a point that it will not kidnap."

"We are not fundamentalists. We are democrats. We want Kashmir to retain the coexistence of different religious groups."

What seems clear now is that the Kashmiris of the valley here, almost all Muslims, no longer see a future with India and its Hindu majority. But New Delhi will not countenance talk of independence.

Over the last year or so, the battle in Kashmir has become a war cry for the Bharatiya Janata Party, a fervently Hindu political movement that has called for India to declare itself a Hindu nation. Diplomats in New Delhi who follow events in Kashmir argue that the Hindu party's opposition to negotiations with the Muslims has inhibited progress toward a settlement.

At the same time, Pakistan's support for Kashmiri guerrillas has made it impossible for New Delhi to consider anything other than a military response to the insurgency and has made it easy to portray the conflict as a direct challenge to India's national sovereignty.

Not the least of Indian considerations is Mr. Saxena's observation that yielding in Kashmir would only begin the process of untangling the skein of ethnic aspirations among the country's myriad nationalities. India is confronted with major secessionist rebellions in Punjab, the state immediately south of Kashmir, and in Assam in the far northeast.

YELTSIN: A Move to Privatize and to Free Prices

(Continued from page 1)

publies to establish their own currencies and national armies could provoke Russia into taking similar measures.

The changes announced by Mr. Yeltsin on Monday bear some similarity to the 500-day program for a transition to a market economy that was debated a year ago by the Soviet legislature but never implemented. But the Russian package puts much greater emphasis on freeing prices from government control in a single comprehensive operation designed to liberalize the economy and plug a gaping hole in the state budget.

Successive Soviet governments have refrained from taking such a step, for fear that it would lead to runaway inflation and uncontrollable social unrest. But the economic situation has deteriorated so substantially that Russian leaders have concluded that they now have no alternative. Economists predict that this year's budget deficit will be about 25 percent of gross national product and could double by next year.

Mr. Yeltsin conceded that the lifting of price controls over a wide range of foods, consumer goods and transportation was a "painful

measure," but said that talk of a free market without such a step was "idle chatter."

"Over the last few years," he said, "everybody has realized this, but nobody had the nerve to actually do it."

"The time has come to act decisively, harshly, without hesitation," he said. "If we don't seize this real chance to break the unfavorable course of events, we shall condemn ourselves to beggary and our century-old state to disaster."

Some economists and radical deputies welcomed Mr. Yeltsin's speech, while expressing concern over the possibility of an inflationary explosion as soon as price controls were lifted. Several said that the implementation of the changes would prove even more difficult in Russia than in Poland, where the Communists had allowed small-scale private enterprise and some private farming for many years.

"It would have been much easier to do this when we still had the financial resources," said Yevgeni Yasin, one of the authors of the abortive 500-day economic plan, pointing out that Russia's hard currency reserves have dwindled sharply over the past year. "The longer you postpone operating on a

sick man, the more painful it becomes."

Although Mr. Yeltsin said that prices would be freed "in the current year," his aides said that a more likely date was the beginning of 1992. Oil products and some consumer staples, such as bread, are likely to be excluded, they said.

The liberalization of prices will be preceded by a financial stabilization program designed to mop up some of the billions of excess rubles now in circulation and cut the size of the deficit. Mr. Yeltsin said that Russia would stop funding about 70 Soviet ministries from Nov. 1 and would end all economic assistance to foreign countries.

He cited the Soviet Foreign Ministry as an example of the bloated central bureaucracy no longer needed now that political power had shifted to the republics.

Mr. Yeltsin said the Russian government would initiate a sweeping decentralization program in the next three months, closing loss-making collective and state farms and selling off 50 percent of small and medium-sized companies. But he conceded that it would be very difficult to privatize huge industrial plants, and called instead for the formation of joint stock companies free of direct government supervision.

Western analysts were divided on whether this challenge would force the republics back in line or send them out on their own and

PLAN: Yeltsin 'Bites the Bullet' With Latest Tactic

(Continued from page 1)

Bush administration seems to be divided on the issue.

Boris Federov, chief of the Soviet division of the European Bank for Reconstruction and Development, which is meant to be the principal government conduit for loans to the emerging private sector in Eastern Europe, said in London that the Russian Republic acted because "the big suspicion is that at the Union level, not much can be achieved."

Mr. Federov, who returned from a visit to Moscow this weekend, is a former finance minister of the Russian Republic and consulted with his former colleagues on their program.

He said that Mr. Yeltsin's call for monetary control by the Soviet Union's central bank represented a challenge to the republics. In recent years the central bank has been printing money to help the republics meet their deficits, in effect keeping them alive by giving them the paper to pay for oil provided by the Russian Republic.

"What Yeltsin is saying now is, 'If you print money, we will go our separate ways,'" Mr. Federov said. Western analysts were divided on whether this challenge would force the republics back in line or send them out on their own and

precipitate the final breakup of the Soviet Union.

Jan Vanous, head of PlanEcon, a private Washington consulting group on Eastern Europe, said Mr. Yeltsin wanted to prevent the other republics from spending their worthless paper rubles for his republic's real resources.

"He may have decided, 'I'll beat them to it with my own currency,'" Mr. Vanous said. "We may be in for economic warfare over the next few months."

That was the half-empty view, while Mr. Miller and Mr. Sachs saw the program as half-full. Mr. Sachs said the Russians believe that "each republic has to save itself and there is no soft way out for everybody."

Mr. Miller said that the Russians seemed to want to demonstrate to the Ukrainians, Georgians, Armenians and Kazakhs that "if they persist in going it alone it will cost the republics more, and that their demands for sovereignty are overriding rationality."

What this means, the two men agreed, is the end of the bargain by which the Russians kept the Soviet empire together, in accepting the republics' shoddy goods in exchange for Russian oil.

What they disagreed with was the speed of change. Mr. Sachs applauded the Yeltsin program as

shock treatment, for which he is well known.

But Mr. Miller said events in Poland and elsewhere "have exploded the notion that you can achieve economic reform in a short period."

He added: "What I fear is that Eastern Europe and the Soviet Union may follow the example of Latin America: a few years of tough reforms which last a few years and are given up under populist pressure. The question is whether they can last through the long pull that is needed."

Iceberg Fleet Menaces Ships Near Falklands

PORT STANLEY, Falkland Islands — Ships around the Falkland Islands are being menaced by giant icebergs loose in the South Atlantic, meteorologists said Monday.

The nearest of the 12 icebergs, measuring up to 800 meters in length, is just under 200 kilometers (120 miles) southeast of the Falklands. They are in addition to a monster iceberg nearly as big as Cyprus that has been reported heading north after breaking off from the Antarctic icepack.

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Celebrating Givenchy, the Classicist

PARIS — If designers are divided into the classic and the romantic, Hubert de Givenchy is the former, rarer kind. He traced his distinctive, distinguished style in the 1950s — the fresh white blouse billowing above a fitted waist, the chic shirtwaister, the sculpted suit with its circular collar and convex back. Nothing he designed, then or now, ever makes a woman ridiculous.

"Of all couturiers, his fashions are the most timeless," said Claude

SUZY MENKES

Montana at the opening of Givenchy's exhibition of 40 years of creativity. Other designers who paid homage at the celebration party for French fashion's grand seigneur included Yves Saint Laurent, Givenchy's close friend and former couture tailor Philippe Venet, Christian Lacroix and Jean-Louis Scherrer. They joined French high society, loyal friends and clients who had come from around the world.

"The most touching thing was to see how many people came to salute me — I was quite overwhelmed," said Givenchy, who is 64, "that Lynne Wyatt flew in specially and that Yves Saint Laurent came. It was heartwarming, a shock to the emotions."

The first outfit on display at the Palais Galliera tells the Givenchy story: a red jersey tunic and skirt designed in 1954, but which could walk out in the street today. The show stresses the eternal quality of Givenchy's work by serving up cocktails of outfits with different dates: eight little black dresses, including one from 1968 and another from 1989, both edged with feathers; or the black crepe 1958 tunic tipped with mink, the same body-skimming shape reverberating across the years. The mannequins created for the show are stark white with proud heads and fine aristocratic features.

"I worried about the movement of the hands because I wanted them to be light and in a modern spirit," says Givenchy.

He selected the 130 outfits and dressed the models. "It was moving for me to discover that clients had kept dresses for 40 years. Why do people keep a dress? They become attached to it, as a memory, a souvenir of happiness." Among his most potent souvenirs are the dresses and images of Audrey Hepburn — Givenchy's muse and inspiration since she first turned up at the studio (he was expecting Katharine Hepburn) in 1953 in gingham pants, flat pumps and urchin hair cut. He dressed her on film in "Sabrina," "Love in the Afternoon," "Roman Holiday," "Breakfast at Tiffany's" — with a genuine glamour that expressed the essence of haute couture. He made the chris-



Los Angeles Times

tening robe for her son in 1960, sent her 60 white roses on her 60th birthday, and as a reward to the book, Hepburn pens a poetic homage to 40 years of friendship, freshness, sweetness, integrity.

"How can you put into words a friendship that is so deep and so long?" she said after the opening party, at which she was both guest of honor and hostess.

Marie-Hélène de Rothschild, who also attended the opening, overwhelmed Givenchy with outbursts, unexpectedly looked after, from the span of his fashion years. Those he has dressed included Jackie Kennedy, when she captivated Windsor, for whom Givenchy's workrooms stitched all night to tailor the black coat she wore to her husband's funeral in 1972.

Fashion moments are captured in photographs: Hepburn in a celluloid embrace with William Holden, embroidered flowers bordering her ball skirt; Marcella Agnelli, as still as a statue, in a draped tunic dress in her Renaissance palazzo; Princess Caroline of Monaco, five years old, with oranges and lemons round the hem of her party frock; Givenchy at home looking up from the lawn at a playful Hepburn on the balcony of Le Jockey, the Touraine château he bought in 1975.

The main impression of the exhibition — with its precise tailoring, chic short dresses and sleek evening gowns — is of the simple grandeur

of fine architecture. Givenchy's spiritual soulmate was Balenciaga, with whom he shares the principles of classicism: simplicity from cutting skills, harmonious proportions and a sense of line and volume. Although Givenchy was trained with Jacques Fath, Robert Piguet and Schiaparelli, he and Balenciaga became close friends, and when Balenciaga closed his house in 1968, he sent his clients — as well as his staff — over to Givenchy's couture house on Avenue George V.

"I have never tried to change fashion, but to reflect the epoch in which I live," Givenchy says. You can't play around with the profession. Fashion has to be wearable, sensible, balanced. If couture is to last there has to be a sense of honesty — not things done just to shock."

At the beginning, in 1952, there was a shock of the new, when the young man from a good family but with slender means sent out a collection of separates in simple poplin and linen fabrics. It included the "Betina" blouse, named after the famous mannequin who was his house muse and manageress. In a drawing by René Gruan, the blouse and its elegant femininity express the essence of fashion in the 1950s. Although Givenchy went on to use the most sumptuous materials, the ladylike freshness of the orandy blouse or the simple shirtwaister dress remains a motif. It is expressed also in flowers. (Givenchy the gar-

dener redesigned in Palladian style the park at Le Jockey.) In fashion, flowers are combined with his interest in art: embroidered motifs from his 1987 collection inspired by Christian Bérard; a mist of impressionist floral patterns on chiffon; or the stylized blooms of Matisse in his 1992 spring-summer collection shown in Paris this month.

THE line that unites 40 years of fashion is drawn always on the curve, echoing the shape of the body even when it does not touch it, as in the 1955 shift dress or the 1957 chemise. When Givenchy, following Saint Laurent, hung his jackets from angular shoulder pads in the 1960s, he was breaking his own tailoring tradition.

Givenchy, born the son of a marquis, is a Protestant from the north of France. Combined with his imposing 6-foot-6-inch (1.98-meter) height, that would suggest a remote and imperious designer. He is rather discreet and dedicated, with a passion for working in the studio with pins in his hands. He owned and ran the couture house until he sold it to Henry Racamier in 1988; the parent company was taken over by Bernard Arnault the following year. Parfums Givenchy had been bought by Veve Chiquet in 1981, and under its director Jean Coultiere, has developed a cosmetic line and added to the range of fragrances, bringing out this year Amarige.

Among the flamboyant luxury businesses, Givenchy retains the austerity of a classic column; or, more precisely, of a mole brown coat that draws an arc from nape through backbone and leaves everything about a woman's body in its proper place.

In the early morning after the celebration party, Givenchy is in his studio, in his habitual white work coat, slung about with a scarlet sweater. He is talking about Audrey Hepburn.

"It is a real friendship and tenderness," he says. "She is a great lady, a star in her profession and in the work she does for Unicef. Between us there is something very special, an understanding, a love story. I never ask her to come, but whenever I think deeply about her, she is there."

The studio door opens and a dainty figure in burgundy and beige tweed jacket, khaki pants and lace-up Oxfords flings her arms vertically up to reach Givenchy's stooped neck.

"I am on my way to the airport, but I had to come by and see you because it was such a wonderful evening," says Hepburn, as they break the embrace, moist-eyed. "It was such a fête and yet so sober. And I liked that, because it was so like you."

"Givenchy, 40 Ans de Création," Musée de la Mode et du Costume, Palais Galliera, to March 15.

Hubert de Givenchy and Audrey Hepburn in "Love in the Afternoon," top, and "Breakfast at Tiffany's."



STYLE MAKERS

Show House

LE STYLE FRANÇAIS

Washington Post Service

NEW YORK — In the language of interior design, the French Designer Show House sends a steamy message. A silk stocking dangles from a gentleman's bodice. A cherub's boudoir is set for a romp. Old letters speak of lost loves, intrigue and scandal. A moody poet inspires a journey to the center of the soul.

No ordinary decorator production here. In this château of a show house, France is the connecting link. The event is the second since 1989 to devote itself to le style français. Only about half of the 25 design teams participating are French, and only three of them have come from France. But the rest are at least Francophile. Many have been living in New York for years, but no one has dropped the accent yet, in language or style.

When the doors opened recently at 603 Park Avenue, signs of

France old and new were just inside the foyer: a quote from Jean Cocteau, Philippe Starck's Royalton sofa and a clock worthy of the Sun King. Beyond the obligatory Provencal kitchen and Monet bathroom, with water lilies in the tub, the rooms get interesting.

Thierry Despont, the New York-based architect and designer who helped restore the Statue of Liberty, follows the poet Arthur Rimbaud to his "last refuge." It is a tiny, hunkie space guarded by an enormous golden copy of the head of Civic Pride, the sculpture atop

the New York Municipal Center. Spears and dead branches have been stuffed into an old sink. A mannequin sits at a writing table, watched by Despont's pencil portrait of Rimbaud. Visitors must pass through an anteroom in which a flying bronze tub, a celestial globe and odd bits of furniture are set against a painted backdrop.

"It is," in Despont's description, "as if the wind of poetry had shattered a room."

Indeed, the room affected the painter Konstantin Kakanias, creator of the cheerful cherubic love nest. "I felt a huge strength and a great inspiration," he said of Despont's setup. "I adored it."

Matisse is the inspiration for Jacques Grange's paneled living room, with a Calder mobile. Windows are covered in flame-red faille. The chairs in the style of Jean-Michel Frank are designed for comfort and coziness. "That's what's important," said Grange. "But this is the international mentality, not just a French one," he added.

Colors challenge the eye, not just in Grange's fiery room. There is bold blue on the walls of the tiny dining cubicle by Hilton McConico — the Tennessee who lives in France decorated the front hall closet — and red-hot orange on the chairs in Marie-Paule Pelle's upstairs bedroom. Rich taupe shows up on beds, walls and upholstery.

Much of the furniture is Empire, but often it is set amid contemporary works. Or new pieces reflect old techniques. Armoires designed

by Pelle are 18th-century French polished by Jean-Paul Viollet, who works in Brooklyn.

Wallpaper is almost nonexistent. In the old château, of course, tapestries would have covered the cold stone walls. Here, fabric is draped ceiling to floor for softness — taupe damask in Yves-Germain Taron's bedroom, iridescent faille in Robert Couturier's loft. Wise, dark traditional paneling that came with the house is overcome with mirrored squares, or hung with lots of bright contemporary art.

As perhaps the last of the year's high-profile decorator show houses, organized by Designer Showhouses Inc., this one offers an excuse to take stock of ideas. It is open until Nov. 17.

Couturier says he believes in the new rush toward simplicity. "I like things that are fairly serene," he explained. "We already live complicated enough lives."

That goes for decorative objects as well. "They don't have to be beautiful," he says. "I think bad taste is very important."

Linda Hales

REACH THE LEADERS WHO ARE INVOLVED IN A CHANGING EUROPE.

On December 9th, the IHT will publish a Special Advertising Section on

MAPPING OUT THE NEW EUROPE

This special advertising section will provide an in-depth look at some of the most crucial questions facing European political and business leaders today: How big a community can the EC feasibly become; when are new members clamoring for admittance likely to be accepted; is a consensus possible on political and economic union?

The section will enable advertisers to reach the decision-makers who are shaping the new Europe, in an environment that only the IHT can deliver.

The IHT will distribute additional copies in Maastricht and the Hague, during the European Community summit meeting there on December 9th and 10th.

For more information on advertising in this special section, please call Juanita Caspari in Paris at (33-1) 46 37 93 76 or call your local IHT representative.

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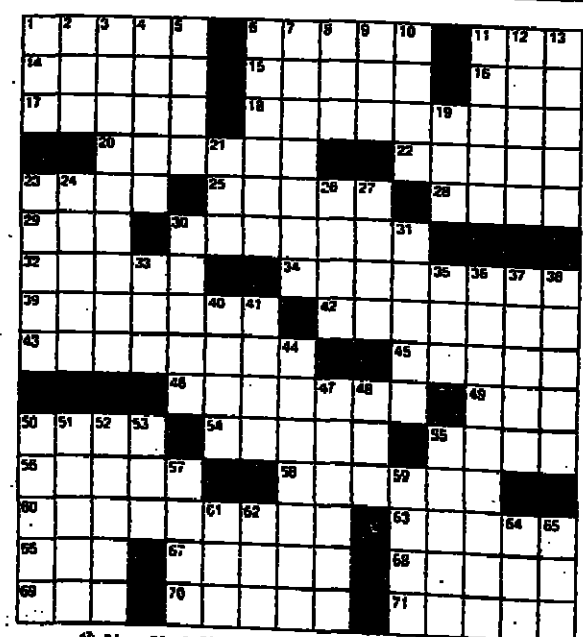
- 1 Rash
- 6 Col. Potter's clerk
- 11 Goddess of plenty
- 14 Big-bandman Shaw
- 15 "That's _____," 1953 song
- 16 Vim
- 17 Young salmon
- 18 Olympic Games site: 1992
- 20 Shinnies up
- 22 More delicate
- 23 Hoosergow
- 25 Passage
- 26 Secretary
- 29 Residue
- 30 Abhors
- 32 Touchdown, e.g.
- 34 Shutdown
- 39 Gifts
- 42 Wintertime creations
- 43 Wardrobes

Solution to Previous Puzzle

TAROT ODES BOG
EVADE VINYL ERR
NEEDANEEDLE ANA
SCIENT LAPTOP
SAP ADS NARRATE
CRICKS HOBBNOB
UNCLE SAUL REAP
TIKI CARNE AABA
SEAM OLES OTTER
PLANNED SPELLS
ELITISM APE ESE
RECENT ALERT
ARK CASTACASTILE
SOL ENTER YAKER
EYE TEEM ERODE

DOWN

- 1 Owns
- 2 Prepare for conflict
- 3 Olympic Games site: 1912
- 4 Actress Meg
- 5 Himalayan humanoid
- 6 Updike's Harry
- 7 Gathers
- 8 June bug
- 9 Curve
- 10 Sail part
- 11 Important celestial layer
- 12 Loblolies
- 13 Camphre filler
- 19 Cover
- 21 West from the East
- 23 Linguist, e.g.
- 24 Levant or Hammerstein
- 26 W.W. II vessels
- 27 Farned school
- 30 France's patron saint
- 31 Nursery rhyme eloper
- 32 Delunct auto
- 35 Depression agy
- 36 Olympic Games site: 1928
- 37 Bribe
- 38 Result
- 40 Jaunt
- 41 Ornamental pattern in art



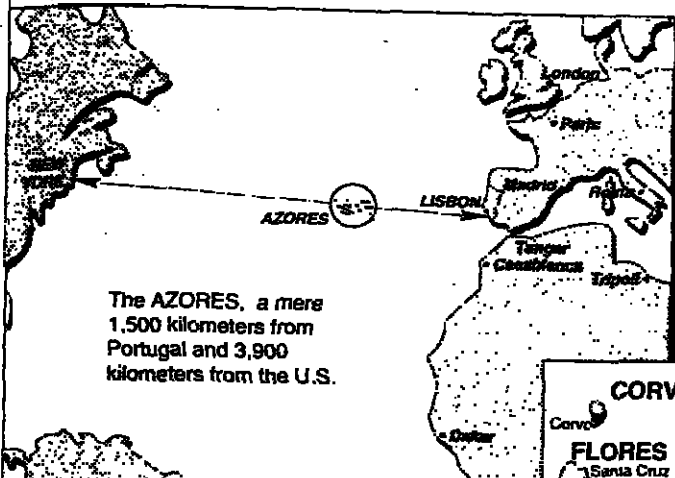
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- 44 Extended over
- 47 Ready for bed
- 48 W.W. II org.
- 50 Home city of the Buccaneers
- 51 Knight's mount
- 52 A brother of Prometheus
- 53 Tease
- 55 Souan
- 57 Outlay
- 59 N.M. town
- 61 Kn of a semi
- 62 Rubound
- 64 Graceful tree
- 65 "It With Music"

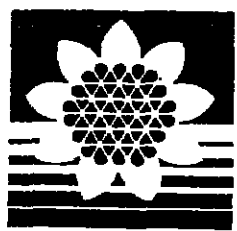
THE UNIQUE MOVE

Portugal 1992

FIFTH IN A SERIES



The AZORES, a mere 1,500 kilometers from Portugal and 3,900 kilometers from the U.S.



A mid-Atlantic archipelago that is part of Europe, the Azores has long charmed tourists with a calm, unpolluted quality of life and a colonial heritage that goes back centuries. Now that the government of this autonomous region of Portugal has created an offshore financial center and a free-trade zone, investors as well are looking at the Azores with increased interest.



The Azores: A Paradise Heads for Prosperity

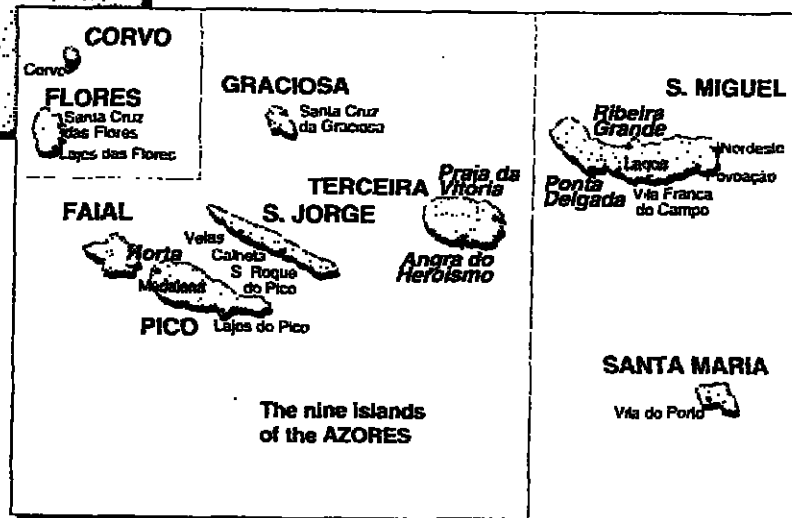
As fresh as the rain-washed azaleas that brighten the islands' pastures, the mid-Atlantic archipelago of the Azores is proof that a wholesome environment and a stress-free life-style are not beyond reach in the modern world.

The 255,000 islanders have succeeded in reconciling an enterprising outlook on the world with the preservation of a quality of life that has long eluded most modern communities. The challenge now is to turn natural advantages into business assets.

By promoting the beauty of the nine volcanic islands to attract discerning tourists and using natural farming methods and a temperate climate to add value to agricultural exports, the Azores is vigorously pursuing economic growth and modernization while avoiding the pollution and pressure that so often accompany development.

To create opportunities for investors, the regional government has initiated a series of entrepreneurial projects, including an offshore financial center and a free-trade zone, to make the islands a competitive location for developing business between Europe, North America and beyond in a favorable tax environment.

The strategic importance of a U.S. air base on the Azores is an indication of how the geographical position of the archipelago, which has helped protect it from the negative impact of industrialization, can also be developed as a commercial asset. An extensive privatization program, foster-



ing enterprise and producing attractive openings for investment, is also about to be launched.

"We have reached a turning point of paramount importance for the future of the islands," says Carlos Costa Neves, the regional government's secretary for internal affairs. "Our central task is to take the differences that set us apart from the rest of the European Community — the unspoiled beauty of the islands, the favorable conditions for agriculture and fishing, a strategic location — and shape them into competitive advantages that will help us achieve a higher standard of living."

Believed by romantics to be the mountain tops of the lost continent of Atlantis, the Azores islands rise from the Atlantic 1,500 kilometers (932 miles) from mainland Portugal and 3,900 kilometers from the United States. Gulf Stream waters and ocean rains bestow on the islands a mild climate in which woods of Japanese pine trees flourish and the rolling pastures are bright with hedgerows of azaleas, hydrangeas and camellias. There are snow-covered peaks, extinct craters and bubbling geysers.

The islands have an area of only 2,333 square kilometers, accounting for 2.5 percent of Portuguese territory, but they are spread out in the three groups to cover 558,000 square kilometers of territorial waters, through which rich shoals of tuna fish migrate.

More than half the Azoreans live on the main island of São Miguel in the eastern group. The population on the other islands falls to as little as 300 on tiny Corvo in the west, some 400 kilometers closer to the United States.

Portuguese navigators discovered the uninhabited islands in 1472 and named them the Açores, the Portuguese word for the gray-blue goshawks that wheel over the archipelago. Flemish and French families joined the Portuguese who settled the is-

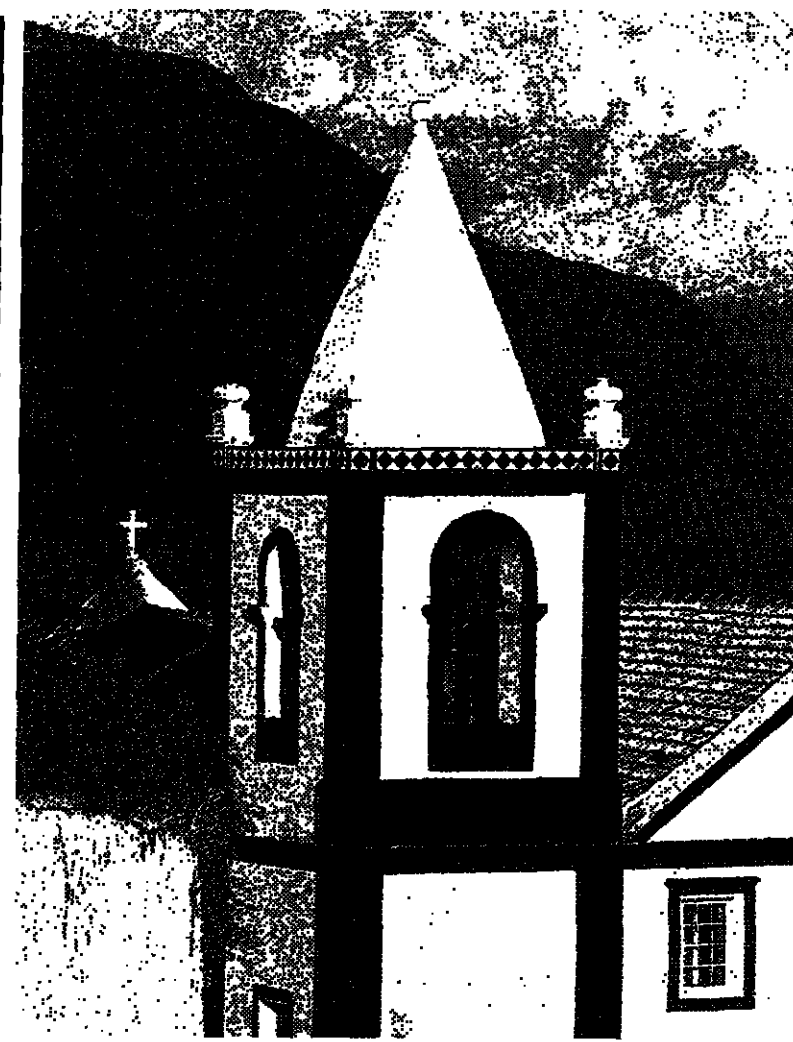
lands. Crops such as oranges, woad and pineapples successfully became the economic mainstay of the Azores, which later grew into an important mid-Atlantic platform for ships, aircraft and telecommunications.

But under the centralized rule of Antonio de Salazar's 46-year Portuguese dictatorship, the islands became the most neglected region of a neglected country. Emigration to the United States, Canada and Brazil became the only hope for tens of thousands of Azoreans. When the "Revolution of the Carnations" restored democracy in Portugal in 1974, the Azores was the most isolated and backward area of Western Europe's poorest country.

Two years later, the islands gained a new lease on life when they were made an autonomous region of Portugal, acquiring the freedom and some of the financial means for the Azoreans to channel their energy and enterprise into building a better future. João Bosco Mota Amaral, president of the regional government since 1976, is proud that more investment has been made in the Azores in the past 15 years than in the previous five centuries.

"Since 1976, the Azores has made a great leap forward from a backward rural society, where almost half of the active population worked on the land, to a developing, modern European economy where services are predominant and farming accounts for less than a quarter of employment," says José Reis Leite, the speaker of the regional parliament. "Autonomy has not only helped provide the tangible benefits of progress, such as better infrastructure, health and education, but also corresponds to an age-old cultural aspiration of the Azorean people."

A decade after autonomy, the Azores took another stride forward when Portugal joined the EC. As a peripheral region of the



A church bell-tower on São Jorge Island, with Portuguese architecture and a typical Azorean coloring.

Community, the islands qualify for a high level of grants to help compensate for the handicaps of remoteness and underdevelopment. EC transfers totaling almost 16 billion escudos (\$107 million) in 1991 will account for more than 16 percent of the archipelago's total income.

A large part of this money is channeled into providing incentives for investors. As an important additional stimulus, the EC has sanctioned the setting up of an offshore financial center and a free-trade zone.

Major infrastructure projects today provide concrete evidence of the islands' progress: each island now has its own airport served by the recently renewed fleet of the regional airline SATA-Air Açores and at least one seaport, roads, schools and hospitals have been opening at an unprecedented rate; new boats and facilities have been built for the fishing fleet.

Over the past five years, the gross regional product has doubled to 100 billion escudos

(\$670 million), although per capita production is still only 60 percent of that of the mainland. Unemployment is below 5 percent, and the number of hotel beds has more than doubled in a decade.

In perhaps the most revealing reflection on the new Azores, emigration has fallen drastically, to below 2,000 departures a year, while the one million Azoreans living mainly in the United States and Canada are beginning to rediscover their homeland as an attractive location for tourism and investment.

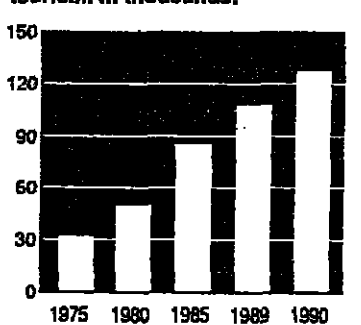
"The Azores is still unknown to most of the world," says João Bernardo Rodrigues, president of the Azores Institute for Investment and Privatization. "But to those who do discover us, the islands offer kindness, beauty and stability, a place for tourists to escape from the stress of modern cities and for businesses to enjoy highly competitive investment conditions."

Peter Wise

AZORES VITAL STATISTICS

Population: 258,800
Language: Portuguese
Religion: Roman Catholic
Capital: Ponta Delgada
Area: Nine islands, 2,333 square kilometers (900 square miles)
Location: Atlantic Ocean, 1,500 kilometers (932 miles) from mainland Portugal and 3,900 kilometers from the United States
Administration: Autonomous region of Portugal governed by a regional government, EC member since 1986
Politics: Social Democratic Party in office since 1976
Main exports: Beef, dairy products, canned tuna fish, tourism
Climate: Mild, temperate
Temperature: Average minimum (in February) 14.5 degrees centigrade (58 Fahrenheit). Average maximum (in August) 23 centigrade (73 Fahrenheit)
International airports: Ponta Delgada, Terceira, Horta
Flight time Lisbon-Ponta Delgada: 2 hours 25 minutes
Highest mountain: Pico, 2,351 meters (7,758 feet)

The increase in the number of hotel guests in the Azores gives a measure of the increase in tourism. In thousands.



Source: Azores Institute for Investment and Privatization.

PERSONALITIES

Chronicler of Colonial War

João de Melo, a 42-year-old philologist born in the Azores, is one of today's outstanding Portuguese writers. He has dedicated most of his life to writing about the colonial wars Portugal fought for 15 years in Angola, Guinea and Mozambique.

Born in a humble Azorean family, the second of nine brothers and sisters, João de Melo first left the green Atlantic island of São Miguel as a conscript, to fight for three years in Angola. He exchanged life in the peaceful fishing village of Rabo de Peixe for the front line in the Portuguese colony in Southern Africa. Like Ernest Hemingway, he spent the war driving ambulances and nursing the wounded. At the same time, he was making up his mind to take a degree at Lisbon University.

In 1974, when the Portuguese military overthrew the country's dictatorship, João de Melo found himself discharged in the streets of Lisbon in the middle of the Carnation Revolution.

Working as a consultant for a trade union during the day, at night João de Melo wrote literary reviews for Lisbon newspapers and studied Latin and Greek. In 1981, he published his first book, "Memories of Seeing Killing and Dying," which reflected his war experience. In 1983, he published "My World Is Not in This Kingdom." His first book was a best-seller, his second a huge literary success. He published his third book, "Autopsy of a Sea in the Ruins," in 1984.

Obsessed by the war, João de Melo in 1988 put together an important document about the Portuguese colonial repression, an anthology in two volumes, "The Years of War (1961/1975)" and "The Portuguese in Africa." The two books combined amateur photographs and accounts of personal experiences.

Joaquim Letria

Big Game Fish and Golf Courses Add to Tourist Excitement

Centuries after galleons skir-mished off the coast and six years after the last fisherman harpooned a whale from a small boat, the sea around the Azores is still a place of adventure.

Today, tourists can taste excitement without running comparable risks by tussling with a blue marlin from the end of a fishing line or scuba diving to explore the islands' rich underwater world. Sportsmen visiting the Azores have broken world and European records in big game fishing, which is one of a range of attractions that sets the archipelago apart from more conventional tourist destinations as a place of inspiring beauty and exhilarating recreation.

Golfers drive along grassy fairways nestled between glimmering volcanic lakes; yachtsmen from all over the world swap yarns in the famous Café Sport, better known as Peter's Bar, at the marina on Faial Island; walkers follow tourist trails through fields brimming with hibiscus and white-walled villages clinging to hillsides of black basalt.

"Our aim is to make the Azores a privi-



The port of Angra do Heroísmo on Terceira Island, which is on Unesco's world heritage list.

leged tourist destination by preserving the natural beauty, the traditional way of life and the unspoiled environment of the islands," says Eugénio Pereira Leal, secretary for tourism and the environment in the regional government.

The Azores government has made cultivating the archipelago's vocation for tourism its top priority. The industry is already the islands' biggest source of income after farming and fishing. A record 126,000 tour-

ists visited the islands in 1990, an increase of 17 percent over the previous year, and similarly high growth is expected in 1991.

Tourism is favored not only as a means of improving living standards, diversifying the economy and providing alternative jobs as modernization reduces the agricultural work force, but also as a stimulus for protecting the environment and the cultural heritage of the Azores.

To encourage private enterprise to chan-

nel its energies and expertise into tourism, the regional government offers attractive EC-backed incentives, without discriminating between Portuguese and European businesses, that include grants of up to 60 percent of total investment and interest-free loans. Over the past two years, the government has awarded 24 billion escudos (\$16 million) in grants to 25 tourism projects, ranging from sports boats to hotels, that amount to a total investment of five billion escudos.

The key note for tourism development is quality, not quantity. "It is fundamental both for the Azoreans and for tourism itself that we do not risk upsetting the social or environmental balance of the islands by allowing tourism to grow too quickly or in the wrong way," says Mr. Pereira Leal. The government believes the number of hotel beds should grow from the present 3,330 to about 5,000 in 1992, and to some 10,000 by the year 2000.

To ensure that tourism development is coherent, integrated with local life and of the highest quality, the regional government, after studying tenders from 16 domestic and foreign companies, has awarded a nine-month contract to the Portuguese firm Setel to draw up a 10-year master plan for tourism in the Azores.

Some two-thirds of visitors are currently from mainland Portugal. The next biggest markets are Germany, the United States and Canada, and Britain. Promotion is also being focused on France, Italy and Scandi-

navia. Marketing in North America will initially be aimed at emigrant communities.

An asset the Azores aims to maximize is the striking diversity of the nine islands, including the 16th- and 17th-century monuments of the port of Angra do Heroísmo on Terceira Island, which have earned a place on UNESCO's world heritage list, and the whaling museum and imposing volcanic peak of Pico Island. Although all the islands now have hotel facilities, São Miguel Island currently accounts for 45 percent of hotel beds. The island, which already boasts the excellent Hotel Açores Atlântico and the five-star Bahia Palace, is likely to remain the focus for luxury hotel construction. But appropriate projects are also being actively encouraged on other islands.

Non-seasonal activities to attract visitors all through the year are another important area for development. Golf, which in green fees alone can produce an annual income of 280 million escudos for every 18-hole course, is one of the most promising. "We have the ideal conditions to put the Azores on the map as the Atlantic capital of golf," says the businessman Gago da Camara.

His company, Verdegol, is already extending a nine-hole course on São Miguel to 18 holes and will complete another 27-hole course in 1992, involving a total investment of 1.2 billion escudos. He is seeking government support for three more golf courses. Other entrepreneurs are planning courses on Faial, Pico and Santa Maria islands.

P.W.

Building Up a Private Sector

To meet the competitive challenges of the 1990s, a dynamic private sector is essential. The Azores regional government is allocating cash, resources and expertise to achieve this result.

Over the past 15 years, unprecedented investment in ports, airports, roads, schools, hospitals and other infrastructure has radically improved life in the archipelago and laid the foundation for the development of a modern, market-oriented economy. Efforts are now focused on shifting the center of growth from the public to the private sector and attracting entrepreneurs who will help establish a successful role for the Azores within an integrated Europe.

To this end, a government body, the Azores Institute for Investment and Privatization (IIPA), has been set up and empowered to manage an initial 14.4 billion escudos (\$96.3 million) of government funds. The money will be invested over 1991-93 in spurting private enterprise and attracting productive investment to the islands.

The institute's three main purposes are to establish an efficient channel of communication between businesses and the regional government, to promote investment and to manage the privatization of fully and partially state-owned companies worth an estimated \$5 to 40 billion escudos.

"Our main goals for development lie in modernizing the islands' productive structures and realizing the full potential of our resources by stimulating investment in the private sector," says Humberto Melo, the regional government's secretary for the economy. "The IIPA will play the central part in this process by promoting investment opportunities and incentives, investing government funds in strategic sectors and privatizing the dominant public sector."

In a region whose main government departments are located on three separate islands, a central body such as the IIPA, based on Ponta Delgada in São Miguel Island, became essential so that prospective investors would have a single, effective source of information and contact with the regional authorities. But the institute extends its promotional role beyond the simple supply of data by providing technical expertise, training and business advice for regional companies. The IIPA also takes local businesspeople on its promotional mis-

sions abroad to help foment contacts and joint ventures.

"To be successful, it was essential to establish our credibility and gain the confidence of local companies by showing them that we have more to offer than information about cash incentives," says IIPA President João Bernardo Rodrigues. "We are demonstrating that the institute is engaged in a wider effort to help shape an enterprising new business mentality in the Azores."

By directing government investment into key companies in tourism, industry, commerce and other services, the IIPA aims to nurture a climate of venture-capital investment in the Azores. Investments managed by the institute over the next three years will account for 71.6 percent of total investment in

turning point in the development of the Azores economy. The state wholly owns six of the most important companies in the region:

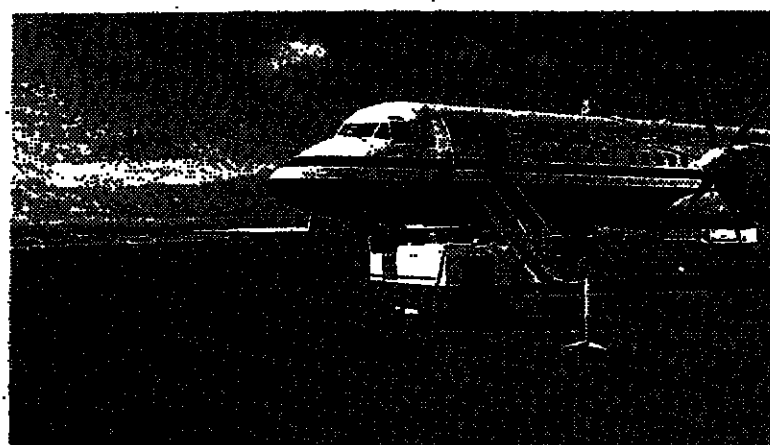
- Banco Comercial dos Açores, a commercial bank with 18 branches, 530 workers and deposits totaling 41.5 billion escudos in 1989.

- Companhia de Seguros Açoreana, an insurance company that has captured more than 70 percent of the local market.

- Empresa de Electricidade dos Açores, the regional power company that is harnessing the islands' geothermal energy resources.

- SATA-Air Açores, the regional airline, which flew 250,000 passengers within the islands in 1990.

- Fábrica de Tabaco Micalense, a tobacco company accounting for 50 per-



An aircraft of the state airline SATA - Air Açores, with the peak of Pico Island in the background.

the region's public-sector companies, all of them due for at least partial privatization.

Parallel to the IIPA, a Regional Development Company for the Azores will be established shortly as a privileged vehicle for investment in the archipelago. The development company, in which private shareholders will own a majority, will invest its own capital directly in the region, whereas the IIPA manages the investment of government funds.

Privatization will constitute a crucial

cent of the local market, with annual sales of more than 12 billion escudos.

- Lotagor, a company that operates the islands' fish unloading, refrigeration and wholesale sales facilities. Sales are forecast to increase 32 percent in 1991, to 5 billion escudos.

In addition, the state owns holdings, sometimes as high as 99 percent, in 11 other local companies, including hotels, road and sea transport, and Zofram, the company that operates the offshore center and free-trade zone.

P.W.

Preparing Azores for 1993 Competition

João Bernardo Rodrigues, president of the Azores Institute for Investment and Privatization, talks to Peter Wise about government plans to encourage private enterprise, attract foreign capital to the archipelago, mobilize Azorean savings and develop the economy.

What stage have you reached in the privatization program?

A detailed financial, economic and structural analysis of each company has been carried out by an independent consultant, the Oporto-based Banco Português de Investimento, that provides a diagnosis of the situation of each enterprise and suggests ways for proceeding with privatization in each individual case. This document is already in the possession of the regional government and the companies concerned. We are now engaged in drawing up a global privatization plan that will

the circumstances of the individual company concerned. Considering that most of the companies involved are not quoted on the stock exchange, it is likely that most sales will be made through a process of public bids. One of our main concerns will be to guarantee that the extent and quality of the vital services that these companies provide for the Azores are maintained. This will involve the state maintaining a stake in some companies, at least during an initial stage, to enable the regional government to ensure that privatizing the region's dominant enterprises does not

tive way and to provide a vehicle to help local, national and foreign investors participate in the privatization process. We are already experiencing strong interest in the program from foreign investors, particularly in the bank, the insurance company and the airline.

What are the priority sectors for attracting private investment?

Tourism is a key area in which the Azores has powerful competitive advantages. We will continue to invest strongly in tourism infrastructure so that the industry can be developed on all the islands. In addition, we are offering attractive incentives to encourage private investment. As our tourism facilities develop, we will extend our promotion to new and bigger markets.

Fishing is another sector where we want to attract investment to reap the vast potential of almost one billion square kilometers of territorial waters. We are enlarging the fishing fleet so that we do not have to import fish to keep the processing industry working at capacity. The regional government is also investing in refrigeration and unloading facilities on all the islands.

Industry in general is enjoying a period of dynamism as investors respond to the availability of EC-funded incentives.

What special attractions does the Azores offer foreign investors?

In addition to natural advantages in terms of tourism, agriculture and fishing, the Azores offers a highly competitive free-trade zone that provides non-EC companies with privileged entry to Europe and offshore facilities that we believe will develop into an attractive center for financial services. We are confident that the one million Azoreans living abroad will give an important stimulus to the growth of the center by using it as a cost-effective way of channeling their savings into the region. Third countries faced with EC quota limits are discovering that the free-trade zone offers access to EC markets in a tax-free environment. Interest is already strong from companies in China, Hong Kong, Macao, Hong Kong, other Asian countries and elsewhere.

João Bernardo Rodrigues, president of the Azores Institute for Investment and Privatization: toward a dynamic private sector.

PETER WISE

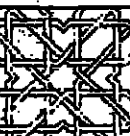
set out the criteria, the timing and the different methods to be used in the sale of each company. Privatization is intimately linked with preparing the Azores economy to compete within the single European market of 1993, and we are planning to complete the sale of several important companies by that date. The process will take longer in the case of other enterprises, such as the Azores power company, which require restructuring before they can be privatized.

How will the companies be sold?

Each privatization will be tailored to

EC Adds to Attraction of Free-Trade Zone

To compensate for the physical distance that separates the islands from major markets, the Azores offers investors an outstanding range of cash, tax and customs-duty incentives that can help place companies a step ahead of the competition.



The focus of attraction is a free-trade zone and offshore center based on the island of Santa Maria. Companies that set up here benefit from a zero tax rate and EC membership in addition to cash grants covering a large proportion of investment costs. Even outside the free-trade zone, investment in industry, tourism and commerce anywhere on the archipelago benefits from some of the highest incentive levels available in Europe.

The incentive packages reflect the regional government's commitment to stimulating private investment and EC efforts to offset the handicap of remoteness. Funds from the Community, amounting to more than 16 percent of the islands' total income, are used for both incentives and infrastructures. The privileges offered by the offshore center and free-trade zone are equal only in Madeira. As an additional stimulus, Brussels also allows the islands duty-free imports of grain, oil and other basic goods from outside the EC.

The regional government is pressing for a further concession that would make the Azores an even more competitive base for business. "We believe that a special subsidy to help us achieve transport costs that are comparable with the Community average is essential to place the Azores on a more equal footing with its EC partners," says Humberto Melo, regional secretary for the economy. "Removing the penalty that transportation costs add to our import and export prices would greatly advance our efforts to diversify and modernize the economy."

Santa Maria was chosen as the headquarters for the free zone mainly because of the availability of surplus manpower and infrastructure. The island's airport, once a key trans-Atlantic refueling point, had lost importance with the advent of long-range aircraft. Major investments have since upgraded the airport for the use of companies operating in the free zone. An air cargo company is being formed to help lower freight costs. A large-capacity port has been built, and telecommunications are being modernized to provide top-quality telephone, computer and satellite communications by 1993.

The zone covers an area of more than 400,000 square meters. Modern offices and warehouse space will be rented to companies until they can build their own facilities. An important feature of the zone is that investors are not limited to setting up in the designated area of Santa Maria. Companies can seek authorization to establish production facilities anywhere in the Azores and still enjoy all the benefits of the free zone, apart from a 20-percent reduction in some incentives.

Two of the three companies already working in the zone have installed plants in São Miguel Island. One taps the island's forestry resources to produce industrial wood products; the other restores and exports classic cars. The third, a computer company, takes full advantage of training grants to provide courses for computer technicians and will recruit the best students for its own production plant in the Santa Maria free zone. Twelve other companies are preparing to set up in the zone amid growing interest from around the world.

"Santa Maria is proving particularly attractive to companies from Australia. Chi-

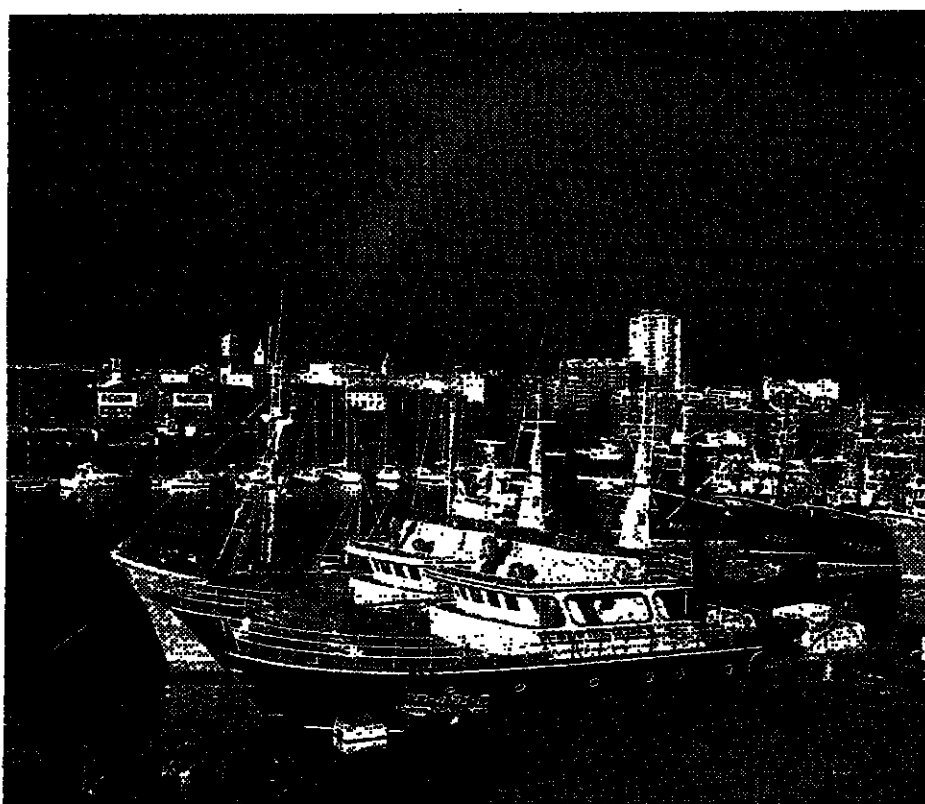


Humberto Melo, secretary for the economy of the regional government: new incentives for investors.

na, Macao and other Asian countries that are looking for an entry to Europe," says João Gago da Camara, the head of Zofram-Sociedade de Desenvolvimento da Zona Franca Mariense, the company that runs the zone on a concessionary basis. "One Chinese company is considering setting up a clothing plant that would employ 800 people."

The benefits for companies operating in the zone include exemption from corporate and personal taxation until 2012; exemption from customs duties and local taxes; free repatriation of funds, dividends and capital gains; low company registration fees; and grants of up to 100 percent of the cost of training workers and 50 percent of the cost of renting land and buildings, construction, industrial installation and the purchase of equipment and machinery.

In regard to classifying the origin of products, production in the zone is divided into Portuguese, European and non-European classes. Normal international quota limits apply to exports from the zone, depending on the level of European or other content. Zofram hopes to establish specific agreements with regions, including Europe and the United States, to waive the application of quota restrictions on goods from the zone.



Fishing vessels lined up at Ponta Delgada, São Miguel Island.

as an added stimulus to the development of the Azores.

The project took a decisive step forward in June 1991 with the final ratification by the EC and the central Portuguese government of the Azores' application to add an offshore financial and services center to the free zone. Applications to operate in the center are already being received, and full activity is due to begin shortly, following the publication of detailed regulations.

- Grants covering 30 percent to 70 percent of investment in advanced telecommunication systems.

- Grants of up to 50 percent of investment in rational energy use.

- Grants of up to 70 percent of investments that help SME tap the potential of natural resources.

- Grants from EC incentives schemes for agriculture and professional training.

P.W.

A Strategy to Appeal to the Young

Government strategy for preparing the Azores to compete and prosper within a single European market focuses on maintaining a momentum of growth and development that will create more jobs, discourage young people from emigrating and improve living standards for all.



The regional government's program for achieving these aims includes the following goals for the key sectors of the economy:

- Modernize agriculture, centered on beef and dairy farming, through investment in the infrastructure and use of EC and local incentives to realize the full potential of the Azores' comparative advantages.

- Support the growth of the fishing industry through continued modernization of the fleet; invest in unloading, refrigeration and

other infrastructure; improve commercial circuits and stimulate exports.

- Use EC funds to help modernize or convert existing industries and carefully introducing new sectors, such as clothing manufacture, a potentially important source of jobs.

- Expand tourism by using incentives to increase the number of hotel beds, building facilities such as golf courses and new airport terminals, market the islands as a single but varied destination that focuses on quality and cultural tourism, and promote the islands among Azorean emigrant communities.

Another asset the government plans to enlist in the development effort is the strategic location of the Azores between Europe and North America. Negotiations are currently nearing completion on a renewal of the accord with the United States for the use of the Lajes air base on Terceira Island.

The Azores receives almost all the \$40 million a year the United States pays for using the base, amounting to about 10 percent of the islands' total income. Azores officials believe financial aid from the United States should be at least doubled under the new accord, which they would like to expand into a broader agreement on economic and cultural as well as military coop-

eration. The islands also receive 500 million escudos (\$3.3 million) a year from France for the use of a small military radar-tracking station on Flores Island.

"The Azores may be on the periphery of the European market in economic terms, but the Lajes base is an indication that we do have a central geostrategic role to play," says Carlos Costa Neves, regional secretary for internal affairs. "We believe we can use our strategic location for more than military ends and make the Azores a center for commercial, cultural and other links between Europe, North America and other regions."

This is the philosophy behind the Santa Maria offshore center and free-trade zone. In addition, the regional government is seeking to establish the Azores as a headquarters for organizations that focus on international relations. Its geographical position in the middle of the Atlantic ocean would make it suitable for maritime bodies and an EC organization that promotes closer relations between Europe and North America.

Along with efforts to secure a role in international affairs, the Azores is also working to support and preserve the unique culture and identity of the archipelago as an integral part of development.

P.W.

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Government in the Azores is constitutionally autonomous, a statute drafted in the aftermath of the 1974 revolution, which ousted the earlier dictatorship and led to democracy.

Each autonomous region exercises powers constitutionally assigned and specified in its Statute of Autonomy. The constitution establishes the institutions for the autonomous regions — a legislative assembly elected on universal suffrage to enact legislation on specific regional matters and a government with executive and administrative functions, led by a president (head of government) appointed by the Portuguese prime minister in accordance with the election results. A minister appointed by the central government liaises with the mainland and the autonomous regions.



Regional government has legislative competency in areas of specific interest not reserved to other sovereign bodies. It may regulate laws and initial

The 1981 census gives the population as 249,547, irregularly distributed around the nine islands. Population density is 106 per square kilometer, but as inhabitable area is only 40 percent of the total, effective population density is 266 per square kilometer.

KF

João Bosco Mota Amaral, president of the regional government of the Azores, answers questions put to him by Ken Pottinger.

We currently receive European Regional Development Fund aid totaling \$1.4 billion escudos [\$215 million] for building harbors, etc. One of the main uses has been for geothermic energy projects. European Agricultural Guidance and Guarantee Fund aid to date totals 4 billion escudos, and a further 5

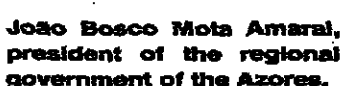
Azorean emigrant remittances in 1990 totaled 7,591 million escudos, mainly for family and property maintenance. Emigrant investments have focused on agriculture and commerce. The old, established Azorean community in the United States has forged very special links between the United States

Today, virtually all the islands are linked by daily air flights. Maritime links are regular, telephone networks are automatic, and fax and telex operate between all islands. Television and radio cover the region with 14- and 18-hour daily transmissions. Investment in this over the years has been many billions of escudos.

Precisely the distance separating us from the major European markets and the added costs and difficulties this brings. Nevertheless, we believe the Azores can be the EC's geographical bridge and maritime access to North Atlantic routes.

For fiscal 1991-92, the Bush administration has proposed a \$40-million package related to ongoing use of base facilities. The Portuguese government is currently negotiating a new base deal and making every effort to ensure the Azores is not prejudiced. We don't believe the United States intends to abandon its development project for the Azores half finished. Although we are a part of the EC, the United States has major interests here, and among its domestic constituency, where many Azoreans — emigrants and descendants — are U.S. citizens.

On my frequent trips to the United States, politicians there repeatedly stress the strategic importance of the Azores to the global North American defense system. The United States is currently abandoning a number of bases around the world while, it is worth noting, renegotiating facilities in the Azores.



Transport is one of the biggest problems facing a region of widely dispersed islands. Our economic perfor-

port deregulation between the region and the rest of the world. Currently, we enjoy EC shipping and fuel subsidies. Priorities include modernizing agriculture, tourist development and attracting foreign investment. After centuries of abandonment, this region has, since 1974, seen development as never before. But we must close the gap with the EC.



The Azores is an archipelago in change. Traditional images and an attachment to history remain strong, however.

They then located the gracious island (Graciosa) to the northwest, and to the southwest, they lighted on Sao Jorge and Pico, so called because of its 7,615-foot-high volcano, the third highest peak in the Atlan-

Lagoa do Fogo on São Miguel Island, a volcanic lake whose beauty has made it a tourist attraction.



Tennyson was moved to write "The Revenge" in honor of a sea battle near the

Many of the names in Azorean telephone directories can be traced back to such origins: Josse van Hurltuere, for instance, became Jorge Dutra, and so on. In the latter part of the 15th century and for many decades thereafter, the Azores were known as the Flemish Islands and Faial was called New Flanders or Isle of the Flemings, but overall residual Flemish influence in the area appears to be slight.

Following volcanic activity in October 1958, Faial acquired an extra bit of land, prompting the civil governor in Horta reportedly to remark, "I'm the only governor since the Age of Maritime Discovery who has made an addition to sovereign Portuguese territory."

Ken Pottinger

The Azores' biggest export has traditionally been its people. Dismayed by years of neglect and despairing of a decent future, hundreds of thousands of islanders departed for greener pastures, mostly to North America.

The small, thinly spread population frustrates efforts to develop the region. Although its semitropical climate and good fishing and farming make the islands virtu-

According to the U.S. historian Francis Rogers, lack of economic development in the Azores has not been exclusively due to royal or dictatorial or paternal government through the ages nor to a lack of talent or industriousness in the people, but to the stratified nature of the society. In the wish to emigrate, this class distinction weighs as heavily as the hope of personal economic betterment, says Mr. Rogers.

As a result of the massive U.S. emigrant wave, profitable trading relations between the Azorean communities in New Bedford, Maine, New England and Rhode Island and

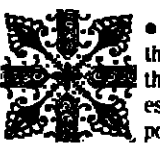
According to Mr. Rogers, contact with the United States had effects not only on the economy but also on the language, with many new words being imported, including an entire whaling vocabulary. Emigration also provided rich material for novelists working on tales about the community.

Some commentators hold that traditional patronizing, belittling and neglect by Portugal was due in large part to ignorance. The former dictator Salazar never visited the Azores. Even during the pre-Salazar republic, the Azores islands were virtually unknown. In 1924, a writer from the continent produced a book called *The Unknown Islands* — unknown to people on the mainland.

KL

A Family of Islands, All Fair in Different Ways

Like nine fair sisters, the islands of the Azores share strong family ties, but each has its own distinct personality and appeal.



• São Miguel, home to more than half the inhabitants of the archipelago, is the largest island and the most important economically. The Renaissance past of the capital, Ponta Delgada, is present in the lines of ancient houses and churches such as the ornate portals of the 16th-century parish church of São Sebastião.

Every fifth Sunday after Easter the religious festival of Senhor Santo Cristo attracts tens of thousands of visitors from other islands and Azorean communities abroad. The town is transformed by decorated arches, illuminations and a carpet of flowers laid in the streets for a religious procession. The celebrations, animated by music and fireworks, last for six days.

São Miguel's scenery is equally exhilarating. A crater known as the Caldeira das Sete Cidades shelters two lakes, one deep blue, the other deep green. Legend attributes their contrasting colors to the tears shed by a princess and shepherd over their thwarted love.

The Lagoa do Fogo is another volcanic lake of breathtaking beauty. An elegant spa hotel lies in the heart of the Furnas Valley, brimming with luxuriant plants and flowers. Curative mineral waters bubble from nearby geysers, which are also used for cooking.

• Terceira is the second most important island in terms of population and the economy. The capital, Angra do Heroísmo, preserves many of the monuments that attest to its importance during the era of Portugal's 15th- and 16th-century maritime discoveries.

Much of the historical center was destroyed by an earthquake on Jan. 1, 1980. Reconstruction, faithfully recreating the town's historic architecture, is still under way. After the earthquake, UNESCO included Angra on the World Heritage list of protected places, alongside treasures such as the Taj Mahal in India and the Inca ruins of Peru.

Contrasting with the historical atmosphere of the capital is the major NATO and U.S. air base at Lajes, a strategic refueling and submarine surveillance post where 4,000 American servicemen and family members live. The people of Terceira, known for their military courage, are aficionados of the bullfight and a tradition known as "corrida a corda," in which a bull secured by a long rope is set loose in the streets and squares of villages for the thrill of those willing to brave its charges.

• Santa Maria, a lovely rural island, has slopes that have been laboriously banked



A variety of charms: A panoramic view of Ponta Delgada (left) on São Miguel Island, with (below it) racks of the island's distinctive cheese ripening. A picturesque windmill on Graciosa Island (below) and an example of the decorative ancient architecture to be seen on the archipelago.

into terraces, using black stone walls to prevent the rain washing the soil into the sea. The only island in the archipelago with earth of sedimentary origin, the land is rich in fossils of shellfish and other marine animals, popularly called giant's bones.

Vineyards descend the slopes in the east to the beautiful bay of São Lourenço, in the shape of a perfect shell. The capital, Vila do Porto, the oldest town in the Azores, is filled with picturesque streets, houses and porches. The island excels at making sweets such as brandy-flavored biscuits and honey cakes. Santa Maria also produces the *vinho de chervo* wine popular in the Azores, as well as liqueurs made from blackberries and milk. The group of eight islets known as the Formigas, a nature reserve where sea birds nest, lies 37 kilometers (23 miles) off the coast.

• Graciosa, as graceful as its name implies, is an airy, flower-filled island whose dairy farms, wheat fields and white-walled villages are favored with rural calm and comfort. Windmills dot the hillsides, especially around the coastal village of Praia. Their onion-shaped domes, which are swiveled by a pole to face their sails to the wind, are reminiscent of Northern Europe, and researchers dispute whether or not they were introduced by the Flemish.

The parish church of the capital, Santa Cruz da Graciosa, contains a prized set of six 16th-century religious panels in a primitive style attributed to the Sino-Portuguese school of painting. Rural tranquility gives way to drama at the Furna do Enxofre, or sulfur cavern, at a spa called Caldeira in the southeast of the island. A tunnel of rock now carved with stone steps, drops 100 meters to an underground lake of cold, sulfurous waters, under a dome-like cavern, that produce dazzling effects in the sunlight (the best time to appreciate this phenomenon is from 12 A.M. to 2 P.M.).

• Pico, the second largest of the islands, is dominated by a 2,351-meter volcanic peak, the highest mountain in Portugal, from which the island takes its name. Capped with snow in the winter and topped by a crater 30 meters deep, the mountain is the most striking of the volcanic phenomena that cover the whole island, including grottoes and caverns thick with stalactites and stalagmites, small cones and craters, and densely wooded black lava beds, called *misterios*, or mysteries, because the early inhabitants did not know their origin. Explorers need equipment and should be accompanied by guides.

Not long ago the streets of the capital, São



Roque de Pico, rang with shouts of "Whale ahoy!" when fishermen still hunted the great sperm whale. They braved the seas in rowboats and used hand-held harpoons tied to ropes a kilometer long. Whaling has been banned since 1986, but the island's whaling museum offers a fascinating insight into the stirring livelihood that was introduced to the Azores by American whalers in the 18th century. Befitting the hardness of the Azorean whalers, who play a part in Herman Melville's "Moby Dick," the wine of Pico is a dry white *verdelho* with an alcoholic content of 15 to 17 degrees.

• Faial is the nautical capital of the Azores and one of the leading yachting centers of the Atlantic. Yachtsmen from all over the world weigh anchor at the marina in the bay of the capital, Horta. They relax, collect and leave messages and chat with local fishermen at the famous Café Sport, also known as Peter's Bar. A tradition of painting pictures and emblems on the dock wall to record their visits has grown up among the yachtsmen, and an accompan-

ing superstition says that accidents befall the boaters who don't leave a painted remembrance.

Horta, which takes its name from the 15th-century Flemish settler Josse van Huerter, is a town of 18th- and 19th-century white facades. From Horta you can watch the sun rise from behind the imposing volcano on the island of Pico only 9.5 kilometers away across a stretch of clear blue sea.

• São Jorge is a fertile strip 56 kilometers long but only eight kilometers wide, created by a series of volcanic eruptions in a straight line. Cliffs that fall almost vertically to the coast have collapsed in places to form flat areas known as *fajãs*, where fruit, yams, maize and vegetables are grown. Clusters of ferns, arum lilies and deadly nightshade cover the slopes. Oaks, beeches, pine and eucalyptus grow together with the remains of a primitive forest of laurissilva, a relic of the European vegetation of 15 million years ago.

Noble houses testify to the former prosperity of the capital, Velas, a condition that it is hoped will be recovered following recent improvements to the island's two ports and the building of an airport. The piquant straw-colored cheese made in São Jorge is among the most famous of the archipelago's dairy products.

• Flores derives its name from an abundance of wildflowers that are thought to have grown from seeds brought from Florida in the United States on the feathers of migratory birds. Sky-blue hydrangeas, hibiscus and other flowers bloom in profusion beside the brooks, waterfalls and seven serene lakes set in volcanic hollows that cover the island.

The capital, Santa Cruz das Flores, is an elegant town with a harbor used by a growing number of yachtsmen. The ethnograph-

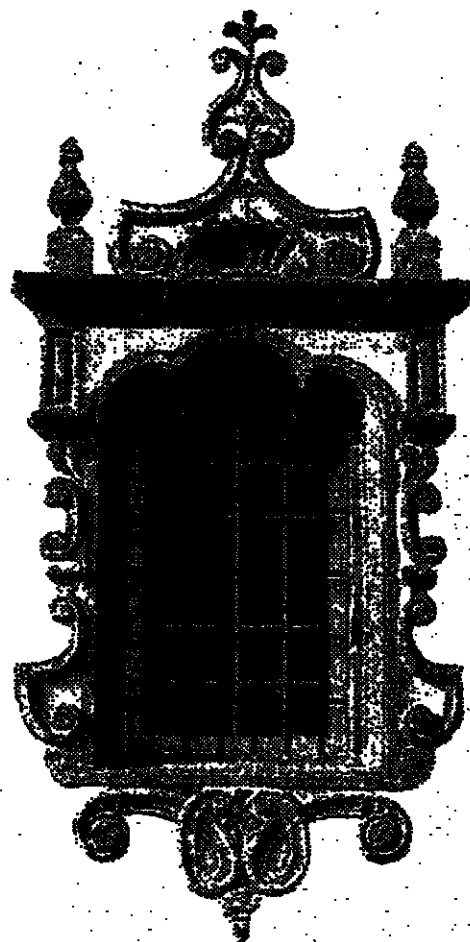
ic museum records the traditional trades and crafts of the island, including scrimshaw, the expertly decorated teeth and jaw bones of sperm whales. Flores is a paradise for fishermen. They can cast from the craggy coastline for amberjack, bluefish, bream, stone bass, conger eels and grouper or catch trout from inland rivers. Swimmers can dive to explore the beauty of multicolored rocks and abundant marine life underwater.

• Corvo is the smallest of the islands, with an area of only 17.1 square kilometers and a population of less than 400. Elements of communal life persist in the tiny town, Vila Nova do Corvo, where the older farmers

meet every afternoon to decide on the work to be done in the fields and discuss the community's affairs. A little more than half the land is common property.

Emigration to the United States and Canada has limited the growth of the town of narrow streets, black stone facades and characteristic wooden locks, dating from a time when metal was not available. Thick woollen cloth is still woven by hand on traditional looms, and archaic words and phrases live on in the speech of the islanders. But modernization means they no longer need to light bonfires to call a doctor or a priest from neighboring Flores.

P.W.



Beefy Profits and Peaceful Cowbells

Lowling cattle and the gentle clang of cowbells are everyday sounds throughout the Azores, evoking an ageless rural way of life. But the beef, milk and cheese produced from more than 200,000 head of prime livestock are also the islands' main hope for future prosperity.



The climate and rainfall of the Azores mean that pasturage is always available for cattle, making beef and dairy products the principal export earner.



Life in the archipelago revolves around and depends on beef and dairy farming. More than a quarter of the active population works directly on the land, and 40 percent rely on agriculture for their livelihood, given that the Azores' main industrial products are processed agricultural goods. Farming accounts for 24 percent of the value of the islands' total production, compared with less than 5 percent in the European Community as a whole.

"One of our principal comparative advantages is a warm, rainy climate that produces perfect conditions for grazing pasture," says Adolfo Ribeiro Lima, the regional secretary for agriculture and fishing. "We have to modernize methods, extend the area of holdings and reduce the agricultural work force to be more competitive. But there can be no doubt that beef and dairy farming will remain our main vocation."

He sees the Azores' development as similar to that of New Zealand and Ireland, whose year-round open grazing gives a cost advantage in competing with economies

where cattle farming is intensive and dependent on imported animal feed. The islands currently produce some 170 million liters of milk a year and 6,000 tons of cheese. Boosting productivity requires maintaining a high level of investment in improving roads, water and power supplies and other basic infrastructure for the farming community.

Officials believe foreign businesses can play an important role in developing the industrial processing of agricultural products and are encouraging investors to enter into joint ventures with regional companies, matching modern technology with local know-how in sectors such as milk and butter production and fish canning. Companies from Italy, Denmark and Germany are among those already taking an interest.

The Azores' extensive fishing grounds are another important source of wealth. Deep-sea fish such as bass, bream and saffron are flown fresh to the restaurant tables of Europe, but the islands' greatest riches are shoals of migrating tuna. A fleet of 50 boats lands some 17,000 tons of fish a year. Most of this is processed to produce some 6,000 tons

of canned tuna a year. This canned fish, which the Azoreans believe to be the best in the world, accounts for 65 percent of the total value of the region's exports.

Frut and vegetables are grown mainly for local production, but the islands are also developing the export potential of pineapples, passion fruit, yams, custard apples and bananas as well as such industrial crops as sugar beet, tea, chicory, tobacco and timber products. Year-round cultivation of flowers and bulbs is an export sector showing encouraging signs of growth. Importers from the Netherlands and other EC countries are seeking out local flower growers and contributing technical know-how to develop what they see as a promising business segment.

Agriculture in the islands is penalized by high transport costs. "Subsidizing transport in peripheral regions such as the Azores so that we can compete on equal terms with the rest of the EC is an issue that should be urgently addressed in a reform of the Common Agricultural Policy," urges Mr. Ribeiro Lima.

P.W.

Peter Wise is a free-lance journalist based in Lisbon who recently visited the Azores. Joaquim Letria is a Portuguese writer and critic. Ken Pottinger is a Lisbon-based free-lance journalist.

The next installment of the series of advertising sections on Portugal will appear on November 26.

A reception given by Joao Bosco Mota Amaral, president of the regional government of the Azores, and the International Herald Tribune is being held on Oct. 29 from 6:30 P.M. to 8:30 P.M. at the Ritz Hotel (Salon Vendôme), Paris to mark the fifth in a series of IHT sections on Portugal.

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TUESDAY, OCTOBER 29, 1991

INTERNATIONAL STOCKS

In Japan, OTC Trading Joins the Modern World

By Steven Brull
International Herald Tribune

TOKYO — Japan's over-the-counter market joined the modern world on Monday, inaugurating a computerized trading system that provides real-time stock price and transaction information. Named JASDAQ after its American counterpart Nasdaq, the new system is expected to stimulate trading on the OTC, a rapidly growing cluster of smaller companies that characterizes the emerging Japanese economy focused more on services and software than heavy industry and *zaibatsu*, or conglomerates.

Good prospects for these smaller, upstart companies have made the OTC one of the few bright spots in an otherwise depressing Japanese equities scene. In the first half of 1990, the OTC index surged more than 60 percent as prices on the much larger Tokyo Stock Exchange plummeted. Although OTC prices have declined since, companies continue to list, seeking relatively cheap access to funds and higher name recognition.

This spring, the OTC's capitalization rose to 17 trillion yen (\$129.5 billion), surpassing the TSE's second section to become Asia's fifth-biggest stock market, trailing only the Tokyo, Osaka, Nagoya and Sydney exchanges. About 400 companies have joined the OTC and 1000 are expected by 1996. Still, it remains dwarfed by Nasdaq, the U.S. National Association of Securities Dealers automated quotations system, which lists some 4,300 companies.

With such rapid growth, the inadequacy of the OTC's old telephone-based trading system, where completing transactions took a minimum of 15 minutes, became glaringly apparent. So the OTC's umbrella organization, the Japan Securities Dealers Association, decided to pay Hitachi Ltd. more than 10 billion yen to develop the computerized system. Like Nasdaq, it automatically matches buy and sell orders and provides detailed on-line transaction and company information.

THE BIGGEST PLUS, brokers say, will be a faster and more transparent market that, over time, will boost liquidity and participation by pension funds and other institutions.

"It's a small step that will increase institutional interest in the market," said Robert Howe, vice-president of Rowe Price-Fleming International. "But the initial reaction has been less exuberant than expected."

Despite expectations of a surge of commemorative buy orders, the OTC average fell 24.82 points to 2,630.40 on Monday. This put it well below its historic high of 4,149.20 set in July 1990 but far above its subsequent low of 1,983.18 in January 1991. The average price/earnings ratios of OTC stocks, once as high as 80, is now about 45, compared with 35 for TSE listed companies, on a consolidated basis.

In the near term, many brokers say prospects for OTC stocks are dim. "When the economy is slowing drastically, you don't want to be in small companies," said Mr. Howe. Being smaller and less diversified, OTC companies tend to be more closely geared to the economy and have less access to capital.

In addition, price movements of OTC stocks are especially volatile because only a relatively small number of shares are actually traded. In contrast to the first section of the Tokyo Stock Exchange, where listing requires floating at least 10 million shares, the minimum for OTC companies is 2 million shares. The number actually traded is far lower, however, because company founders often keep a large percentage to themselves. "If the economy slows down even more, these shares can easily get wallowed," Mr. Howe said.

In the long term, though, brokers and analysts agree the OTC can only grow in importance. "The Japanese economy is changing. See OTC, Page 13

The biggest plus of the computerized system will be a faster and more transparent market.

Mexico Clinches Bank Sale

\$2.54 Billion Bid Shows Confidence In Local Economy

Compiled by Our Staff From Dispatches

MEXICO CITY — The government has sold a 51 percent stake in Bancomer, Mexico's second-biggest bank, for \$2.54 billion in one of the biggest sales to date in its sweeping privatization program, the Finance Ministry said Monday. Eugenio Garza Laguerre, president of the financial group Valores Monterrey, and head of a group of some 200 investors, beat out three other bidders by offering to pay 2.99 times book value for the stake. "The bid was surprisingly high," said Jorge Mariscal, an analyst at Nomura Securities Co.

Mr. Mariscal, along with many analysts, expected a multiple closer to the 2.62 times book value that Banco Nacional de México fetched in late August.

If regional directors take advantage of an opportunity to buy the remaining Bancomer share capital held by the government — around 25 percent of the total — the sale will total \$3.17 billion, said the deputy finance minister, Guillermo Ortiz, at a news conference.

The Bancomer sale was seen as a strong show of confidence in Mexico's economy as it returns to stability and growth after the Latin American debt crisis erupted here in 1982, the year the government nationalized the banking system.

Bancomer was the eighth bank to be auctioned this year as part of President Carlos Salinas de Gortari's reversal of the nationalizations. All have sold for two to three times their book value.

In August, the government sold a controlling 31 percent stake in Banco Nacional de México, the country's largest bank, for \$3.19 billion.

Bancomer has more than 760 branches, slightly more than Banamex, and most analysts had expected the sale to be successful.

Bancomer's assets of over \$25 billion are modest by international standards but represent around 30 percent of the Mexican banking industry's total. Its book value as of September was \$1.60 billion.

An analyst who has studied the bank closely said its financial position was sound and solidified by reports that it was saddled with the most problem loans of any of Mexico's 18 banks. (Reuters, BBN)

North American Trade Talks Stumble

By Tim Golden
New York Times Service

ZACATECAS, Mexico — American negotiators say that discussions on a North American Free Trade Agreement have run into roadblocks and that a draft treaty is unlikely to be ready early next year as Mexico had hoped.

Four months into their discussions on a Canada-U.S.-Mexico trade area, negotiators from the three countries said they were ready to begin drafting treaty language.

But even as they swapped smiles and handshakes on Sunday, they declined to specify areas in which they had moved closer to agreement, and a senior American trade official who discussed the talks privately acknowledged that in some areas, they had run into roadblocks.

"We're not at the point where a lot of these issues are ready to be decided," the official said. Contrary to the predictions of several Mexican officials that a treaty could be ready early next year, several American negotiators suggested that progress would be slower.

The senior American official said he did not expect a complete first draft to be ready when trade ministers from the three countries were to meet again early next year.

Even before the talks began, some American officials said they were losing hope of being able to deliver an accord to Congress without handing Democrats a political issue at election time.

Other U.S. officials say the growing demands

of groups concerned about the effects of free trade on American jobs, the environment and the future of Mexican democracy are another complicating factor.

For Mexican officials, there is extraordinary sensitivity about cutting deals with a neighbor that they have traditionally viewed as an untrustworthy bully.

Canadian officials, meanwhile, have had to grapple with fears that Mexico's inclusion in a continental free-trade zone could jeopardize some benefits of the trade pact they made with the United States two years ago.

As the Mexican negotiations have moved forward, the three teams have made notable progress only on the subject of tariffs. The three sides exchanged proposals for reciprocal tariff cuts on Sept. 19.

Mexico's heavily protected energy sector, which appeared not long ago to represent a major stumbling block, has fallen off the list of concerns. With Mexican officials adamantly opposed to opening the exploration and production of their oil to outside risk capital, American negotiators said last week that they were not inclined to press the issue.

In an area where U.S. officials had hoped for concessions, President Carlos Salinas de Gortari indicated last week that Mexico was likely to remove more petrochemicals from the list of those barred from development by foreigners.

Agriculture, another politically sensitive is-

sue in Mexico, will not be settled so easily. Mexican and American officials said.

The United States' push for access to Mexican grain markets comes as Mexico is about to announce what officials here say will be a radical but lengthy transformation of its inefficient, almost feudal land-tenure system. The government is expected to soften laws that bar peasants from selling or leasing communal lands and from bringing in business partners to help them develop.

But while Mexican farmers would like freer access to American markets, they would also like continued protection.

Similarly, the framework of a new North American textile trade may be determined by both the worldwide General Agreement on Tariffs and Trade talks and changes that some American manufacturers are seeking in the Multifiber Arrangement covering world textile trade.

Mexico's single biggest bargaining chip may be its automotive market. Car sales are expected to boom with the country's economy. With about one-third the population of the United States, Mexicans now buy less than one-tenth the cars.

Mexican negotiators want the United States to do away with its 25 percent tax on imported light trucks and to change fuel-efficiency rules so that compact cars produced in Mexico can count as part of an American company's domestic fleet.

EC Draft Lets U.K. Opt Out

Success Predicted For Compromise On Money Union

Compiled by Our Staff From Dispatches

THE HAGUE — The Netherlands on Monday proposed giving Britain and other European Community members the right to opt out of plans for a single currency, but asked all 12 states to sign a declaration supporting the idea of economic and monetary union.

In presenting a draft treaty on monetary union, the Dutch finance minister, Wim Kok, said he was optimistic agreement could be reached in time for the EC summit on Dec. 9 and 10 in Maastricht. The Netherlands holds the rotating presidency of the Community.

Mr. Kok also proposed that the amounts of national currencies in the European Currency Unit basket should be frozen irrevocably from 1994.

Britain and Germany want a clause in the treaty that would rule out any devaluation of the Ecu against national currencies as a step to its becoming the Community's single currency.

Britain sees a fundamental problem in agreeing to the treaty because of the proviso allowing it to stay out of the final stage of monetary union, a senior government official said in London.

Mr. Kok also said he hoped the draft treaty's approach would satisfy all 12 EC members. The treaty would contain a clause saying no member would be obliged to join in the third and final stage of monetary union if its national parliament objected.

In the third stage, EC members are to 'lock exchange rates' and launch a single currency managed by a common central bank. The British government has said Parliament must sanction any move to a single currency.

Mr. Kok said he was hopeful that all 12 members, including Britain, would sign a separate declaration expressing their "strongest intention" to participate in stage three of monetary union.

"We wanted simply to reconfirm the political will," he said. Mr. Kok said he had doubts that stage three of monetary union would begin in January 1997, the date previously agreed to by EC heads of state. "We may find that we need more time and it won't start in 1997," he said.

Under the Dutch plan, stage two would begin in 1994, involving the creation of a European Monetary Institute to coordinate the economic policies of member states.

In Basel on Monday, EC central bankers finalized a set of draft statutes for the institute but failed to agree on issues including who would become the body's president, the institute's voting system and the amount of capital to be paid in by national central banks, said Erik Hoffmeyer, the Danish central bank governor who is chairman of the EC central bank governors committee.

A protocol attached to the Dutch draft treaty includes a procedure for monitoring the budget policy of member states in the run-up to a single currency, with the possibility of sanctions for members that run up too large a deficit.

A further annex, explains that aspiring members of the monetary union must meet strict economic criteria including low inflation, a stable currency for at least two years before union and long-term interest rates near those of the most economically robust EC members. (Reuters, BBN)

BaE Issue Is Spurred By Holders

Reuters

LONDON — British Aerospace PLC's £432 million (\$740 million) rights issue was headed for failure on Monday, leaving underwriters with huge amounts of shares on their books, bankers said.

The offering appeared to meet with one of the biggest rejections of a rights issue in Britain in memory, with dealers and analysts predicting that existing stockholders would take up only about a quarter of the shares.

Such a result would be another big blow for the prestige of the company, Britain's largest exporter, which makes commercial and military aircraft and Rover cars.

As an afternoon deadline for acceptances of rights passed, British Aerospace shares were still trading well below the rights offering price of 380 pence a share. Financial

See AEROSPACE, Page 10

Daimler Plans Stock Offering

By Richard E. Smith
International Herald Tribune

FRANKFURT — Daimler-Benz AG, Germany's largest company, said Monday that it would launch a jumbo capital increase next year, but analysts doubt that the move portends major acquisitions in the near future.

Daimler-Benz stock fell Monday to close at 674.50 Deutsche marks (\$397) on the Frankfurt Stock Exchange, after rising to 676.50 on Friday on reports of a higher 1991 dividend.

Although the company declined to confirm the projected amount, analysts generally expected the capital move to roughly match the company's record capital increase of nearly 2 billion DM launched two years ago to help finance its takeover of Messerschmitt-Bölkow-Blohm GmbH.

"The company does not seem to have any major purchases in the pipeline this year but probably can use the funds for the large investments it is making in such sectors as aircraft development," said Gebhard Klingenstein, analyst with Barclays de Zoete Wedd.

"This is a company which invests as much as 10 billion marks a year and this volume keeps rising," said Joachim Bernsdorf, analyst with Bank Julius Baer in Frankfurt.

The company said that conditions and timing for the capital increase remained open but that it would probably take place in the second half of 1992.

In contrast to the last increase, which hit the market only three weeks after it had been revealed by the 1989 stock market collapse, analysts expect that the market will be much more receptive for new stock offerings in general next year and in particular for a Daimler-Benz offering.

The shareholders' meeting in June authorized management to launch as much as 600 million DM in new nominal capital.

The capital increase two years ago involved a rise in nominal capital of 212 million DM, lifting total nominal capital to 2.33 billion DM. The shares were offered on a basis of one new share for 10 already held and were made available at a price of 460 DM, bringing the company almost 2 billion DM in new funds.

effect of raising prices for German products in many markets. Edzard Reuter, chairman of Daimler-Benz, said several days ago that "clearly higher net profits" were likely in 1991 along with possibly a higher dividend.

The firm's effective earnings in 1990 were little changed from the previous year, if extraordinary items were not included.

The company has also begun to seriously clean house at AEG, its unprofitable electronics group. The company announced recently that its Olympia office-equipment division would be split as it winds down production.

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Daimler-Benz, one of Germany's major exporters, was battered during much of the last several years by a weak dollar, which had the

Weak Isuzu Seeks Help From Weary GM

By David E. Sanger
New York Times Service

TOKYO — As if General Motors Corp. doesn't have enough troubles these days, its closest partner in the Japanese auto industry, Isuzu Motors Ltd., is running a huge operating loss, appears ready to jettison its president and has reportedly turned to GM for financial help.

The troubles at Isuzu have been brewing for months. In recent days, as the huge Tokyo Motor Show started and executives from GM poured into Tokyo, the industry has been abuzz with talk that Isuzu is in desperate need of a bailout.

General Motors owns 37.5 percent of Isuzu, Japan's sixth-largest automaker. In a two-decade relationship that has been largely at arm's length, executives on both sides say, Isuzu has supplied GM with small cars and Japanese engine technology. The Japanese maker plays a key role in GM manufacturing and marketing strategies, especially in Europe.

But in its home market and in the United States, Isuzu is suffering blows that it may be too small to survive intact, many auto executives believe. The company recently revised upward its estimate of pretax losses for the year, saying they could reach \$385 million. In the first half of 1991, the company's Japanese production was down nearly 10 percent and its exports — the main part of its business — were down 23 percent.

In June, Isuzu reported a net loss of 18.4 billion yen (\$131.5 million) for the financial half-year, a sharp reversal from earnings of 6.05 billion a year earlier. At the time Isuzu said it expected a parent company net loss of 38 billion yen for the full year.

The Japanese press has been filled with reports that Isuzu President Kazuo Tohyama will resign in January. Or he may be moved up to the post of chairman, with no operational role in the company. The risk is that he will be replaced by the current executive vice president, Kazuhisa Seki.

Isuzu has asked GM to help, chiefly by sending experienced personnel and, according to many reports, providing money for development. Like many second-tier carmakers, Isuzu is finding it impossible to keep up with the need for huge capital investment to design new models and retrofit its factories.

"It takes some courage to turn to a company that just announced a billion-dollar loss and ask them for funding," said an executive of Toyota Motor Co. during the Tokyo auto show.

Japanese industry is likely to watch what happens to Isuzu with enormous interest. Usually, Japanese companies in Isuzu's situation — a large loss and no immediate prospect of turning it around — are quietly annexed by a larger corporate patron.

This year, Isuzu is expected to make about half a million vehicles, including 370,000 commercial models. That is a 13 percent decline from the previous year.

Subaru, which turned its leadership and some factories over to Nissan Motor Corp. last year, Isuzu and Subaru have a joint-venture factory in Lafayette, Indiana.

But GM and Isuzu have never been all that close. GM sold roughly 8,000 vehicles a year in Japan last year, a tiny fraction of the Japanese market.

Unlike Ford Motor Co., which uses Mazda Motor Corp. to make some Ford cars in Japan, GM has rarely turned to Isuzu for help. In fact, though it holds the largest slice of Isuzu, there are relatively few GM engineers assigned to use Isuzu as a conduit for information about Japanese manufacturing.

On the other hand, GM has had a close relationship for several years with Toyota Motor Corp. The two operate a joint venture to make vehicles in Fremont, California.

At the automobile show last week, Richard Johnson, the head of GM's operations in Japan and a member of Isuzu's board, said, "We will obviously do what we can to help them."

But he said GM was still searching for the right exchange, maybe several, to send to Isuzu. And he said GM "might provide some other aid" but was not considering taking a bigger stake in the company.

That is what happened to the auto business of Fuji Heavy Industries, the maker of the

CURRENCY RATES

Cross Rates	Oct. 28	Oct. 27
Australian dollar	1.728	1.730
Belgian franc	36.15	36.15
British pound	1.785	1.785
Canadian dollar	1.294	1.294
Deutsche mark	164.49	164.49
French franc	166.37	166.37
Italian lira	1,936	1,936
Japanese yen	164.49	164.49
Swiss franc	1.728	1.730
U.S. dollar	1.000	1.000

Closing in Amsterdam, London and Zurich, futures in other centers: New York closing rates and Toronto rates of 3 a.m. (C) To buy one dollar: * Units of 100; N.B.: not quoted; N.A.: not available.

Other Dollar Values

Currency	Per \$	Currency	Per \$
Australian dollar	0.578	Deutsche mark	0.0061
Belgian franc	0.027	French franc	0.015
British pound	0.578	Italian lira	200.48
Canadian dollar	0.746	Japanese yen	164.49
Swiss franc	0.578	U.S. dollar	1.000

Official rates. ** Tourist rate (commercial rate: 1.754).

Forward Rates

Currency	30-day	60-day	90-day	180-day
U.S. dollar	1.000	1.000	1.000	1.000
Deutsche mark	1.728	1.728	1.728	1.728
Japanese yen	164.49	164.49	164.49	164.49

Sources: NAB Bank (Amsterdam); Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Goldbank (London). Other data from Reuters and A.P.

INTEREST RATES

Eurocurrency Deposits

Term	Rate	Term	Rate
1 month	5.50%	1 month	5.50%
3 months	5.50%	3 months	5.50%
6 months	5.50%	6 months	5.50%
1 year	5.50%	1 year	5.50%

Sources: All Reuters except ECU: London Bank. Rates applicable to the interbank deposits of \$1 million minimum (or equivalent).

Key Money Rates

Instrument	Rate	Instrument	Rate
U.S. Treasury bill	5.50%	U.S. Treasury bill	5.50%
U.S. Treasury note	5.50%	U.S. Treasury note	5.50%
U.S. Treasury bond	5.50%	U.S. Treasury bond	5.50%
3-month T-bill	5.50%	3-month T-bill	5.50%

Asian Dollar Deposits

Term	Rate	Term	Rate
1 month	5.50%	1 month	5.50%
3 months	5.50%	3 months	5.50%
6 months	5.50%	6 months	5.50%
1 year	5.50%	1 year	5.50%

Sources: All Reuters except ECU: London Bank. Rates applicable to the interbank deposits of \$1 million minimum (or equivalent).

Boeing Boosts Profit But Plane Orders Fall

Compiled by Our Staff From Dispatches

SEATTLE — Boeing Co., the world's largest aircraft maker, posted Monday slightly better-than-expected earnings in the third quarter, but saw its orders fall from a year earlier.

Prudential Securities Inc. and First Boston repeated buy ratings on Boeing after it posted third-quarter results and Japan Airlines Co. placed a \$2 billion Boeing air-

craft order. The stock rose 37.5 cents by midday, to \$49. Boeing said its third-quarter profit rose 6.1 percent, citing increased commercial aircraft sales, lower losses in its defense and space businesses and a lower effective tax rate.

Boeing delivered 111 jet aircraft in the third quarter, down from an unusually high 122 airliners in the second quarter.

The company said it expected its loss in the defense and space business would be smaller this year than in 1990 and the division would be profitable next year.

The Seattle-based company said it earned \$401 million, or \$1.17 a share, in the three months to Sept. 30, up from \$378 million, or \$1.10 a share, a year earlier.

Sales for the period were \$7.66 billion, compared with \$7.18 billion in the third quarter of 1990.

Wall Street analysts had expected the company to report earnings of about \$1.15 a share.

Boeing said that its backlog of unfilled orders as of Sept. 30 was \$95.9 billion, down from \$98.2 billion in the previous quarter.

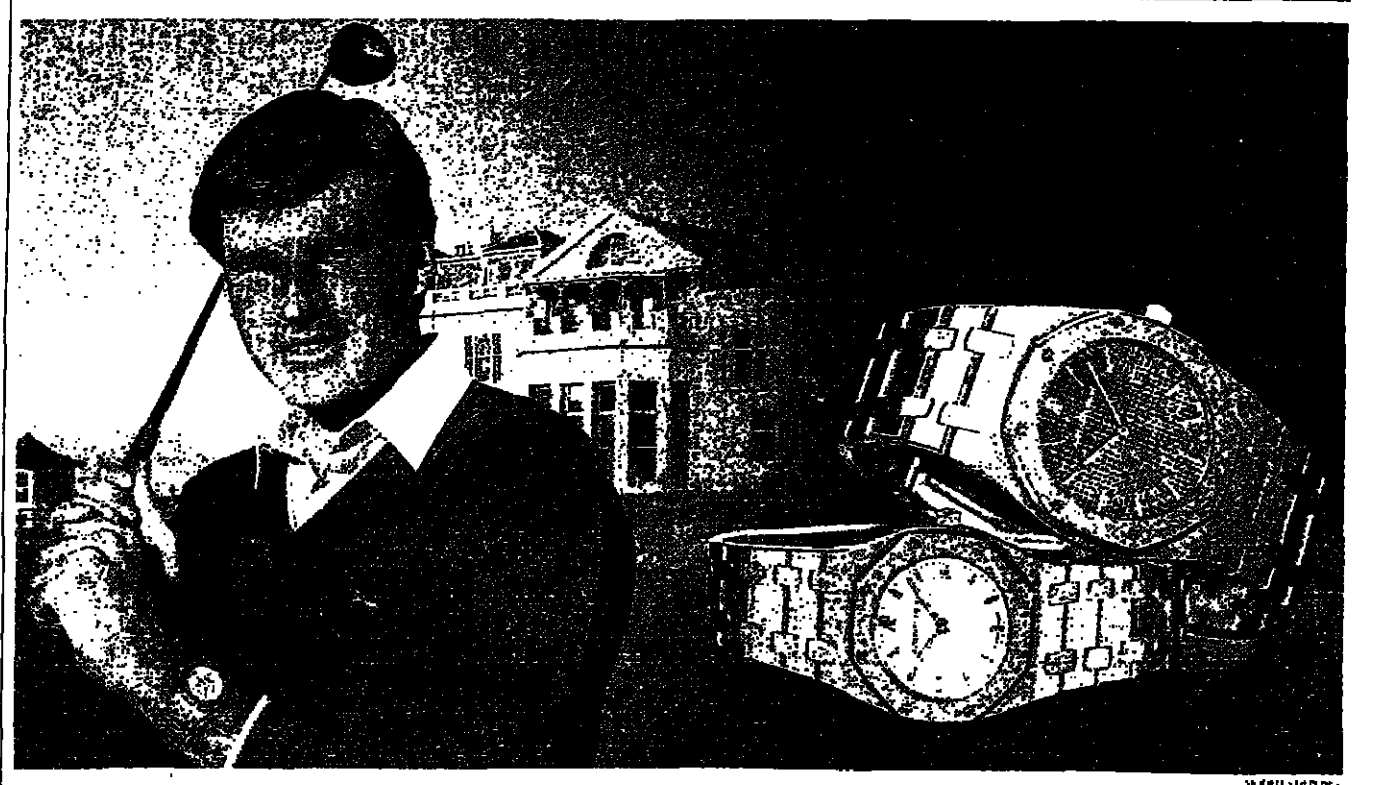
New orders, in the meantime, slid to \$4.9 billion from \$9.1 billion a year earlier. The Japan Airlines order came after the end of the third quarter.

Frank Shrontz, chairman of Boeing, said that some customers had asked the company to reschedule deliveries because of the weak economy. But he said other customers filled those delivery slots.

A Boeing spokesman declined to say how many late deliveries had been requested or how many options were not being exercised.

Analysts said the company faced increased pressure for new aircraft in the fourth quarter, particularly for its new 777 twinjet.

"That's the key event people are watching because the company is making a significant investment in research and development and capital spending and inventory" for the 777 project, said Lawrence Harris, a Kemper analyst. (AP, Reuters)



Audemars Piguet and Nick Faldo. Where perfection is the only standard.

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MARKET DIARY

Hopes of Rate Cut Send Dow Surging

Compiled by Our Staff From Dispatches

NEW YORK — Fresh hopes for lower interest rates drove prices sharply higher on the New York Stock Exchange on Monday, after Federal Reserve Chairman Alan Greenspan said the economy had turned notably weaker.

Bargain-hunting and computer-driven buying programs also helped blue chips reverse a week-long slump.

The Dow Jones industrial average, which tumbled 72.23 points last week, rebounded 40.70 to 3,045.62.

In the broader market, advancing issues outpaced declines by better than 3 to 2. The New York Stock Exchange composite index rose 2.62 to 214.44 while Standard & Poor's 500-stock index jumped 5.32 to 389.52.

Volume was 160.22 million shares, down from 167.26 million Friday.

Dollar Closes Higher Ahead of U.S. GNP Data

NEW YORK — The dollar ended mostly higher Monday on short covering ahead of a report due Tuesday on the performance of the U.S. economy in the third quarter. "Some of what we saw was short covering," said John Lyman, senior

customer dealer at the Bank of Tokyo Ltd. "There was a little boost to the dollar," he said.

Secretary Nicholas F. Brady's comments during the weekend that the report on gross national product on Tuesday would show annualized growth of 2.5 percent to 3.0 percent, or higher.

The dollar ended at 1.7179 Deutsche marks and 132.315 yen, up from 1.6999 DM and 131.485 yen on Friday.

The dollar also closed at 1.5065 Swiss francs and 5.8605 French francs, up from Friday's 1.4875

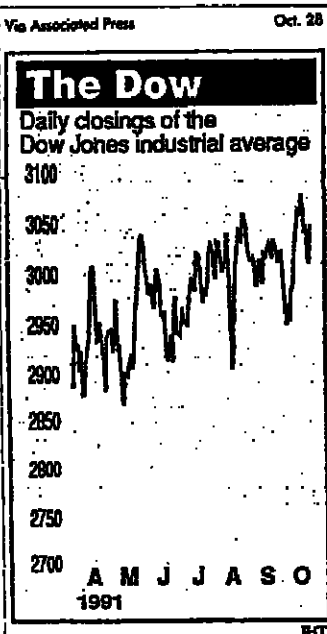
and 5.8010. The pound eased to \$1.694 from \$1.713.

This week will see a fairly heavy schedule of U.S. economic indicators. On Wednesday, personal income and consumption for September are due. Economists surveyed by Reuters estimate consumption and spending rose each 0.4 percent, but showed no growth at all after allowing for inflation.

The October payroll report is due Friday. Economists estimate nonfarm payrolls rose by 20,000 and the jobless rate rose to 6.8 percent from 6.7 percent in September.

In London, the dollar closed Monday at 1.7080 DM, up from 1.7025 DM on Friday, and at 132.10 yen, up from 131.35.

The dollar also rose to 1.4974 Swiss francs and 5.8275 French francs in London from 1.4870 and 5.8035 on Friday. The pound fell to \$1.7040 from \$1.7125.



AM J J A S O 1991

NYSE Most Active

TeMex n	37661	474%	407%	417%	- 1%
Compaq	22522	19%	18%	18%	+ 1%
AmEx	22522	19%	18%	19%	+ 1%
AmEx	24897	19%	18%	19%	+ 1%
Glaxo	24821	53%	51%	53%	+21%
PepsiC	19734	25%	27%	27%	+ 1%
Citicores	19474	10%	10%	10%	+ 1%
PhidAm	18322	70%	69%	69%	+ 1%
Total n	12317	24%	26%	26%	+ 1%
FirstAm	12317	69%	69%	69%	+ 1%
WesteI	12875	16%	16%	16%	+ 1%
AT&T	12897	38%	38%	38%	+ 1%
EKadak	11532	45%	44%	45%	+ 1%

EUROPE

NASDAQ

Monday's Prices
NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

1000 Most Traded Stocks

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Knoll Expects Earnings To Stay Flat in 1991

Reuters
LUDWIGSHAFEN, Germany — Knoll AG, the pharmaceutical division of the German chemical concern BASF AG, said Monday that 1991 group earnings would be near last year's levels despite an increase in sales.

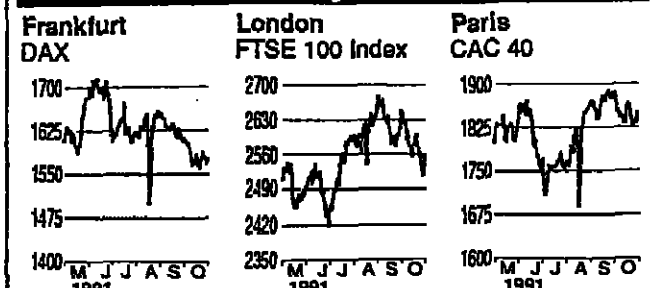
Hans Uwe Schenck, chairman of Knoll, said group sales rose 9 percent to about 1,600 billion Deutsche marks (\$941 million) in the first nine months of 1991 and were likely to reach 2,200 billion DM for the full year, from 1,996 billion DM in 1990.

But Mr. Schenck said earnings were not able to keep pace with sales due to heightened competition in key markets, government-imposed price controls in several countries and an above-average rise in research-and-development costs.

"We assume, nevertheless, that the Knoll group world earnings will approach the level of the year-earlier," he told a news conference.

The company does not publish group profit data. But on the home front, Mr. Schenck forecast that domestic group profit would be down between 10 percent and 15 percent from last year's \$5.7 billion DM, because of high investment in research and development and in capital equipment.

Investor's Europe



Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	CBS Trend	80.00	89.50	+0.56
Brussels	Stock Index	5,510.60	5,516.09	-0.10
Frankfurt	DAX	1,576.81	1,572.03	+0.30
Frankfurt	FAZ	647.99	649.11	-0.17
Helsinki	HEX	835.40	842.80	-0.88
London	Financial Times 30	1,981.30	1,929.30	+1.66
London	FTSE 100	2,558.50	2,514.70	+1.74
Madrid	General Index	265.38	264.04	+0.74
Milan	MIB	996.00	1,004.00	-0.80
Paris	CAC 40	1,852.07	1,834.80	+0.94
Stockholm	Affarsvarlden	1,013.20	1,013.40	-0.02
Vienna	Stock Index	442.31	451.40	-2.01
Zurich	SBS	614.30	610.70	+0.59

Sources: Reuters, AFP

Very briefly:

• Philips NV said it had signed a letter of intent to sell its Philips Diamond Tools subsidiary to Sumitomo Electric Industries Ltd.'s Osaka Diamond, but no financial details were disclosed.

• Harrison's Crosfield PLC said it had agreed to buy Chemiewerk Greb-Dolan GmbH, a maker of polymer additives, from Germany's Treuhandanstalt for a nominal sum and to assume 10.5 million Deutsche marks (\$6.2 million) of debt.

• Friedrich Grohe AG, a German maker of bathroom fittings, will issue 46 million DM of nonvoting preference shares on German exchanges at the end of November, the lead manager, Commerzbank AG, said.

• Former Bundesbank president Karl Otto Pöhl has become a member of the international council of J.P. Morgan & Co., the U.S. bank said.

• The EC Commission said it was investigating whether China was dumping magnesium oxide in the European Community, and had reopened an anti-dumping investigation into imports of silicon carbide from the Soviet Union, Poland, China and Norway.

• Hungary said unemployment jumped to 293,000 people, or 6.1 percent, in September from just over 250,000, or 5.2 percent, in August.

• RWE AG, the German energy and engineering group, said net profit slipped to 1.15 billion DM in the year ended June 30 from 1.19 billion DM a year earlier, due to weakness in its printing-machines division.

• Nokia AB, the Finnish telecommunications company, said it had won an order worth about \$73 million for wireless local-loop networks from Deutsche Bundespost Telekom.

• Trintank & Burkhardt is selling \$47 million in 9.5 percent profit-sharing certificates between Nov. 18 and Dec. 2, open to shareholders purchasing one certificate for every 28 shares held at 99 percent of their price.

• Whyte & Mackay Group PLC, the Scotch whisky unit of American Brands Inc., said it had 38.1 percent of Invergordon Distilleries Group PLC in purchases and acceptances relating to its 275 pence (\$4.70) per share offer.

• Compagnie de Suez, the French conglomerate, said trading in three majority-owned companies — Penhoet, Parthena Investissement and Comphos — was halted on Monday pending announcement of restructuring plans.

• Glaxo Holdings PLC stock jumped 31 pence to close at 760 pence on Monday, extending Friday's gains as its Imigran migraine drug took a step closer to full approval by the U.S. Food and Drug Administration.

• Victor Co. of Japan Ltd. has started supplying videotape recorder decks to Thomson Consumer Electronics SA of France that are suitable for wide-screen televisions; they will be sold under Thomson's brand name.

Reuters, AFP, BBN

Liberty Life Sale Tests Views on South Africa

Reuters

LONDON — Liberty Life Association of Africa Ltd.'s sale of equity this week in Europe, the first by a South African company, is being regarded as a litmus test of sentiment on South African investment following the country's recent political changes.

The life insurer's issue of around 12 million shares, which will be priced this week, is expected to raise 444 million rand (\$156 million).

It follows aborted attempts by several British brokerages to muster support for South African investment funds.

Numerous trading partners have lifted sanctions in response to the changes in South Africa, but political uncertainty, a weak economy, high inflation and a lack of liquidity in stock markets continue to keep investors at bay.

Liberty Life is assured of its money as the issue has been underwritten by institutions led by S.G. Warburg & Co.

But the market will focus on the level of demand from end-buyers to assess how much confidence investors have in South Africa.

"Everyone is looking at Africa but from arm's length," a Scottish fund manager said. "Hard instinct will get things rolling. One big fund will leap and the rest will follow."

A South African stockbroker based in London said: "The important thing is that Liberty has secured the backing of major U.K. underwriters. That's a real sea-change."

Nevertheless, Simon Aldridge, international sales director at Barings Securities, argued that Liberty's issue should not be viewed as a test case because of the company's solid reputation and the fact that it is seeking funds to expand outside of South Africa. For example, Liberty Life's British subsidiary, Transatlantic Holdings PLC, recently agreed with Union des Assurances de Paris to offer to buy out minority shareholders in Sun Life Corp., which they jointly control.

"It's a bit of a special case," Mr. Aldridge said. "A share issue from a South African brewer would be a better test."

Smith New Court PLC was forced recently to shelve plans to assist South African insurer Old Mutual in launching the first South African investment fund on the London market.

Plans were drawn up after research indicated that 45 percent of British institutions were changing their views on South African investment. But Smith New Court found institutions were still unwilling to part with cash.

He said investors liked the company's first-

Foreign Buying Supports Shares in Italy's SIP

Reuters

MILAN — Shares in Societa Italiana per l'Esercizio della Telecomunicazione SpA have attracted heavy buying from foreign investors, who are bullish about the telephone company's earnings growth potential and Italy's plans to invest massively in its creaky communications sector, traders and analysts said Monday.

SIP has stolen the limelight in an otherwise depressed Italian stock market, surging more than 10 percent in the last month, although profit-taking knocked it down 1.7 percent on Monday. Last week, SIP saw busy trade on the Milan Stock Exchange, where a record 50 million ordinary shares traded on Thursday.

Andrew Neale, head of Italian equities trading for Bankers Trust in London, said SIP had drawn strong demand from investment funds in the last two weeks.

He said investors liked the company's first-half performance — gross profit climbed 50 percent — and the outlook for earnings in the next few years.

But Mr. Neale said the stock might be poised for a retreat after the recent sharp gains.

The state holding company STET, which controls SIP, on Friday approved a four-year plan to spend 50 trillion lire (\$39 billion) in the telecommunications sector.

STET has forecast that SIP's net profit will climb to 470 billion lire this year from 402 billion in 1990, and then rise to 506 billion lire in 1992 before flattening out in 1993.

"SIP is among the cheapest in the sector," said Paolo Filippi, an Italian market analyst at UBS/Phillips & Drew in London. He noted that SIP was also a good way for foreigners to play the Italian market because it is a highly liquid stock.

One Italian market analyst, who asked not to be identified, said obtaining a tariff increase from the government will be a key factor in SIP's profit growth.

"The 1992 figures are quite dependent on a tariff increase. If you take that out, you end up with flat figures," this analyst said.

Ian Macleod, an analyst with Country Natwest Woodmac in London, said in a recent report that Italy was the fastest-growing cellular-telephone market in Europe and SIP would benefit from the sector's rapid growth.

He said SIP could overtake Britain's Vodafone Group PLC in early 1992 to become the world's second-largest cellular operator after McCaw Cellular Communications Inc. of the United States.

Mr. Macleod said if SIP decided to float part of its cellular business it could meet with strong interest. Neither STET nor SIP has said there are any plans to do so.

COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.					
Canada					
Defosco					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	400.00	375.00	Revenue	400.00	375.00
Profit	(115.00)	0.00	Profit	(115.00)	0.00
Per Share	1.35	0.00	Per Share	1.35	0.00
United States					
Aetna Life & Casualty					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	115.00	115.00	Revenue	115.00	115.00
Profit	115.00	115.00	Profit	115.00	115.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Avon Products					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	845.00	820.00	Revenue	845.00	820.00
Profit	6.00	6.00	Profit	6.00	6.00
Per Share	0.07	0.07	Per Share	0.07	0.07
Bank of Boston					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Montreal					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of New York					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the West					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of America					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of Commerce					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00
Per Share	1.35	1.35	Per Share	1.35	1.35
Bank of the South					
3rd Quarter	1991	1990	3rd Quarter	1991	1990
Revenue	1,000.00	1,000.00	Revenue	1,000.00	1,000.00
Profit	1,000.00	1,000.00	Profit	1,000.00	1,000.00

War Bled Airlines, IATA Head Says

NAIROBI—The airline industry is bleeding to death following a huge increase in costs as a result of the Gulf war, the director-general of the International Air Transport Association, Gunter Eser, said on Monday.

"I am still not certain that everyone realizes just how bad things are," he said at the annual meeting of the 204-member group in the Kenyan capital of Nairobi.

Mr. Eser said the industry faced losses of \$3.7 billion on international services alone in 1991 after recording total losses of \$5.1 billion in 1990.

IATA blames the industry's woes on a doubling of fuel prices and war-risk premiums after Iraq's invasion of Kuwait in August 1990.

This came on top of soaring interest charges that accounted for \$3.2 billion in 1990 — an increase of 39 percent on 1989 — and swallowed up a modest operating surplus of \$2.7 billion.

"As we move to the end of the year, the industry is bleeding to death," Mr. Eser said.

Other topics on the two-day meeting include the industry's strategies to cope with route and airport congestion, environmental concerns and the increasing range of taxes imposed on airlines by governments.

"In the financial sector, it's pretty much gloom and doom," said an IATA spokesman, John Brindley.

Mr. Brindley said businesses and vacationers canceled flights be-

cause of the Gulf-related recession and fears of terrorism in late 1990 and early 1991.

Delegates noted that even this year's IATA meeting was less well-attended than in previous years.

"We will be lucky if passenger numbers fall by no more than 2 percent this year, with freight tons flat and total revenue-ton-kilometer traffic down by 3 percent," he said.

But Mr. Brindley said: "With average yields up by 6 percent, unit costs up by 5 percent, then even if interest charges stay flat at \$3.2 billion the net result, at minus \$3.7 billion... will represent a second year running of record loss."

IATA predicts a recovery in 1992 with growth of 9.4 percent in passenger traffic and a steady overall growth rate of 5.6 percent in 1991 to 1995. Its annual report predicts overall growth of 6 percent for freight in 1991 to 1995.

Mr. Eser appealed for a longer-term view in the industry, warning against delays in improving infrastructure to reduce the massive problem of congestion — particularly in Europe.

Finding itself in a financial corner, the industry is fiercely defending its record on the environment and airline security.

At the same time, Mr. Eser echoed delegates' worries about deregulation and proposed liberalization of air transport within the 12-nation European Community, lashing out at the increasing charges and taxes being imposed on airlines.

India Courts Its Expatriates

Agence France-Press

NEW DELHI — The government threw open the door Monday to overseas Indian businessmen, allowing nonresident Indians and overseas corporate bodies they own to have up to 100 percent equity in selected Indian industries.

The announcement of the new liberalization measures, reported by the Press Trust of India, said full equity ownership would be allowed in high-priority sectors, including hotels, tourism-related industries and hospitals.

The government said full repatriation of capital invested and income accrued is assured.

With the economy soft and inflation under control, fundamental conditions remain favorable for the coming auctions. Moreover,

the rule changes announced by the Treasury will not change the auction process much.

Nevertheless, by choosing to put the changes into effect at the start of the refunding auctions on Nov. 5, the Treasury has opened itself up to some short-term risk.

The size of the refunding is expected to be announced Wednesday. Most analysts expect the Treasury to sell \$38 billion worth of new 3- and 10-year notes and 30-year bonds.

The overall size of the auctions and the existence of the speculative 10- and 30-year offerings make these quarterly debt sales the riskiest the Treasury conducts each year.

Moreover, the auctions will take place in the week after credit market participants will have digested a series of important economic reports, including the Commerce Department's preliminary estimate on third-quarter economic growth, and October employment data from the Labor Department.

If those statistics are stronger than currently anticipated, the market's mood could shift suddenly. And a shift in market sentiment could make even the mildest changes in auction rules difficult and possibly expensive for U.S. taxpayers by driving up interest rates.

"I don't think there will be any impact, but financial regulation is subject to the law of unanticipated circumstances," said Louis van B. Crandall, chief economist at R.H. Whinston & Associates, an economic consulting firm. "And when you change auction rules, the last place you want to experiment with is the refunding."

Apart from the potential effects of the economic statistics, Mr. Crandall and others said that for the time being, the Treasury's decision to open the bidding process would not mean much. Until now, only primary dealers have been permitted to submit bids for clients.

"Until the Treasury automates the auction process and allows customers to bid directly through a computer facility, it is to customers' advantage to continue bidding through primary dealers," said Richard M. Kelly, chairman of Aubrey G. Lanston & Co., a primary dealer.

For the time being, the decision to increase the maximum amount of securities awarded to noncompetitive tender bids to \$5 million, from \$1 million, also will not have much impact.

But Mr. Crandall said that under different market conditions, increasing the size of noncompetitive awards, which are made at the average yield of accepted competitive tenders, will drive up borrowing costs.

"There is no way that change is more favorable to the Treasury," Mr. Crandall said. "We are in a bull market right now, so it won't have any impact. But in a down market, where you have a wider dispersal of bids, the larger noncompetitive awards will produce higher yields for the Treasury. At the margin, this rule change can only be bad for the taxpayer."

U.S. Treasury Refunding Seen Unaffected by Rule Changes

By Kenneth N. Gilpin

New York Times Service

NEW YORK — Changes announced last week to broaden participation in U.S. Treasury auctions will probably not have a noticeable impact on the quarterly refunding auctions next month, some analysts and Wall Street executives say.

But they add that the changes in the auction rules, in conjunction with other shifts under consideration, could drive up the government's borrowing costs in the future.

The changes follow the Salomon Brothers' bidding scandal, which has severely shaken faith in the decades-long manner in which business has been conducted by the Treasury, the Federal Reserve Bank of New York and the primary dealers of government securities.

With the economy soft and inflation under control, fundamental conditions remain favorable for the coming auctions. Moreover,

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OTC: Updating Market in Japan

(Continued from first finance page)

ing from one based on manufacturing into one more focused on services," said Alan Acosta, the OTC analyst at Baring Securities.

Typifying the OTC, brokers say, are companies such as Amway (Japan) Ltd., which sells detergents and other household products; Getz Brothers, an importer of pacemakers; and other medical equipment; Greenhouse Co., an institutional food provider; and Fuji Software Inc., which develops computer code for microprocessors.

"The OTC is more investor-oriented," said Yoshie Kanai, an assistant manager in Ichiyoshi Securities Co.'s international sales department. "The Tokyo Stock Ex-

change has driven away many individual investors because of program trading, loss compensation and other shenanigans."

Ichiyoshi, an affiliate of Nomura Securities Co., calculates that recurring profits for OTC companies, except those in banking and insurance, will grow 9.1 percent in the year to March 31, 1992.

Japan Aiding Merger

Japan's financial authorities have agreed to lend 8 billion yen to assist the merger of Toho Sogo Bank and Ito Bank Ltd. at 5 percent points below the rate on 10-year government bonds, Deposit Insurance Corp. officials said Monday, according to a Reuters dispatch.

(Continued from page 1)

economy had lost steam after a spark of growth in the spring and summer.

Despite sharp cuts in interest rates by the Fed during the past few months, consumers and corporations, lacking confidence about the future, are too busy working off past debts to spend much or borrow extensively. Private debt is growing at the slowest pace in 40 years.

"If borrowers don't want to borrow, Federal Reserve actions have less punch than in a typical recovery," said Lyle Gramley, chief economist for the Mortgage Bankers Association of America here and a former Fed governor.

A battle is under way within Republican ranks over what course to follow.

Commerce Secretary Robert A. Mosbacher; Housing and Urban Development Secretary Jack Kemp; Newt Gingrich of Georgia, the House Minority whip, and Senator Phil Gramm of Texas are all urging the president to cut taxes to stimulate the economy.

Treasury Secretary Nicholas F. Brady; Michael J. Boskin, chairman of the Council of Economic Advisers, and Pete V. Domenici of New Mexico, the Senate Budget Committee's ranking Republican, all oppose a tax bill.

The Senate minority leader, Robert J. Dole of Kansas; the House minority leader, Robert H. Michel of Illinois; and Richard G. Darman, the administration budget director, warn that a tax package, once launched, will be difficult to control in the Democratic-dominated Congress.

Republican leaders are exploring a "growth package" of capital gains tax cuts, expanded individual retirement accounts and new tax

breaks for corporate research and development.

"Let's be sure what we do helps," Mr. Bush told reporters Friday. "Let's be sure it's a timely package. And that's a key point: What's needed? What will help?"

Maybe nothing will help, except time. Though the expansion phase of this business cycle might not conform neatly to the election cycle, Representative Willis D. Gradison Jr., Republican of Ohio and a

former investment banker, sent a letter to House colleagues last week pleading for inaction in the face of adversity.

He says it is too late to stimulate the economy.

"By the time an income tax cut affects consumer demand, the recovery will be roughly a year old," Mr. Gradison wrote. "By then, stimulus not only will be unnecessary, but will threaten sustained, noninflationary economic growth."

Such counsel does little to ease anxiety among Republicans as the economy begins to look like an Achilles' heel for Mr. Bush in the 1992 campaign.

Consider a few disturbing facts for Mr. Bush:

Even if the economy rebounds and grows 3.6 percent next year, as the administration predicts, the average annual growth rate during the first Bush administration will end up being 1.6 percent — the lowest rate for any president since World War II began.

This week, the Commerce De-

partment will release the first estimate of third-quarter gross national product, and administration officials expect a 2.5 percent or more annual growth rate.

A New York-based economic consulting firm, ISI Group, has come up with a new "misery index" that measures the portion of personal income eaten up by income taxes, Social Security taxes, personal interest payments, and medical costs. That portion has grown

steadily from just under 24 percent in 1960 to just over 40 percent today. Roughly half of the increase has taken place during the Reagan and Bush presidencies.

Real disposable income — the amount of money each American has to spend after paying taxes — was lower in the middle of 1991 than when Mr. Bush took office.

Edward R. Tufts, a professor of political science and statistics at Yale University, said an increase in real disposable income during an election year is the single most important economic statistic for an incumbent president's re-election prospects.

The wage of the average American worker, after adjusting for inflation, is running 9 percent less than in 1979. Family income has risen only because more women are working.

During the 1988 campaign, Mr. Bush pledged he would create 30 million jobs in eight years; in all but two of the first nine months of this year there were fewer Ameri-

cans employed than there were when Mr. Bush took office. Last week, unemployment replaced crime and drugs as Americans' biggest worry, according to the latest Washington Post-ABC News poll.

And worriers will not be reassured by the many reasons for the slow recovery:

• State and local governments have imposed tax increases totaling about \$17 billion. Forty-six states and six of 10 cities face big budget gaps, made worse by lower tax revenues resulting from the recession.

• As feeble as consumer spending has been, it has still increased faster than incomes, leaving American consumers weaker than at the start of the recession. Consumers have been paying off debts, but only by selling off assets and liquidating their personal savings.

• Banks inflated the economy during the 1980s with some risky loans; even normal, prudent lending would seem like a credit crunch by comparison. Banks are still repairing their balance sheets to meet capital requirements and many are shrinking their portfolios.

• Slowdowns overseas have dampened demand for American products. Exports had been the brightest spot in the economy early in the year.

In the absence of other alternatives, the Bush administration is hoping that jawboning can make a psychological difference and bolster consumer confidence.

During the past month, the president has pressed the Federal Reserve about interest rates, prodded banking regulators about credit and bemoaned the lack of consumer confidence.

"There's a lot of anticipation that there's a quick fix. There isn't," an administration member said.

NYSE

Monday's Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

IBM	125 1/4	124 3/4	125 1/4	124 3/4	-1/4
Microsoft	68 1/2	67 1/2	68 1/2	67 1/2	-1/2
Apple	54 1/2	53 1/2	54 1/2	53 1/2	-1/2
Oracle	48 1/2	47 1/2	48 1/2	47 1/2	-1/2
Sun	42 1/2	41 1/2	42 1/2	41 1/2	-1/2
Intel	38 1/2	37 1/2	38 1/2	37 1/2	-1/2
Northern Telecom	32 1/2	31 1/2	32 1/2	31 1/2	-1/2
WorldCom	28 1/2	27 1/2	28 1/2	27 1/2	-1/2
Verizon	24 1/2	23 1/2	24 1/2	23 1/2	-1/2
Sprint	20 1/2	19 1/2	20 1/2	19 1/2	-1/2
AT&T	16 1/2	15 1/2	16 1/2	15 1/2	-1/2
Qwest	12 1/2	11 1/2	12 1/2	11 1/2	-1/2
Southwest	8 1/2	7 1/2	8 1/2	7 1/2	-1/2
Delta	4 1/2	3 1/2	4 1/2	3 1/2	-1/2
American	3 1/2	2 1/2	3 1/2	2 1/2	-1/2
United	2 1/2	1 1/2	2 1/2	1 1/2	-1/2
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SPORTS

After a Heavenly 7th, Twins Are Baseball's Singular Sensation

By Mark Maske

Washington Post Service

MINNEAPOLIS — It took yet another evening of high drama and late-night heroics to do it, but finally — finally, in the 10th inning of the final game of the season — the Minnesota Twins won their second World Series title in five years by surviving the Atlanta Braves, 1-0, in a Game 7 for the ages.

After Jack Morris, voted the Series' most valuable player, was finished pitching 10 shutout innings for the Twins, and long after John Smoltz was through countering with 7½ scoreless innings for the Braves, Minnesota broke through with a 10th-inning run Sunday night against Atlanta's bullpen stopper, Alejandro Peña.

Dan Gladden led off the inning by looping a broken-bat double into short left-center field. Chuck Knoblauch bunted him to third base; the Braves intentionally walked Kirby Puckett and Kent Hrbek to load the bases. But pinch hitter Gene Larkin lifted a first-pitch fastball from Peña over drawn-in left fielder Brian Hunter and center fielder Ron Gant for what was scored as a single. When the ball struck the turf in medium-deep left-center, the fans' wild

celebration seemingly threatened to blow the roof off the Metrodome.

"This was just a classic," said Morris, whose two victories in this Series lifted his postseason record to 7-1. "It was just a flat-out beautiful ballgame."

The Twins became the first team to win a World Series after finishing last the previous season, and they did it by preventing the Braves from earning that distinction. Minnesota also became the second club to take a title without winning on the road. The Twins were the first team to do so, and their 1987 pattern against St. Louis — win two games here, lose three away, win two more here — was repeated.

But few others produced the spectacle that this Series became. Five of the final six games were decided by one run, all five in a team's final at-bat, and four of the contests saw the winning run scored on the game's final pitch.

This was the record third extra-inning game of the Series, and it was just the third Game 7 in World Series history to go into extra innings (the Washington Senators beat the New York Giants in 12 innings in 1924; the 1912 Boston Red Sox defeated the Giants in 10).

Through the seven-hit, two-walk, eight-strikeout mastery of Morris and the nearly matchless handiwork of Smoltz, through the clubs' mirror-image bases-loaded opportunities gone awry in the eighth and a ninth-inning frustration for Minnesota, it became ever clearer as the night wore on that this was a Series not likely to be forgotten for some time.

"It wasn't life and death, but it sure felt like that out there," said Smoltz, a former spring-training teammate of Morris with the Detroit Tigers who allowed six hits and one walk before being relieved by Mike Stanton in the eighth. "I'll tell you this: No one in this clubhouse feels like we lost this thing. The Twins had to tear it away from us, rip our guts out to get it, and that's exactly what they did."

It was a battle of resolve from the outset. Morris — who's 4-0 in World Series games, having won two for the Tigers in 1984 — breezed in the first inning, then spent much of the rest of the game pitching out of trouble. Manager Tom Kelly wanted to remove him after nine innings, but Morris talked him out of it. Asked what it would have taken to get Morris off the mound, Kelly replied: "Probably a shotgun."

The Twins improved their postseason record in the Metrodome to 10-1, their Series mark to 6-0. The Braves were left with a mountain of would-haves and could-haves to contemplate. There was Lonnie Smith failing to score from first base on a double by Terry Pendleton in the eighth, an inning in which the Braves loaded the bases with one out.

"It was a great ballgame, but we just missed several chances to put it away," said the Braves' manager, Bobby Cox. "We were just so close to a World Series ring, and it hurts a lot not to get it."

A leadoff single by David Justice and Sid Bream's hit-and-run ground out left Atlanta with a runner at second base with one out in the second, but Morris wriggled free by striking out Hunter with a high fastball and getting Greg Olson to pop out.

Rafael Belliard's single and a walk to Smith gave the Braves a two-on, one-out opportunity in the third, but Pendleton flied out and Gant bounced into an inning-ending forecourt. Olson lined out after Hunter's two-out double in the fourth. And in the fifth, the Braves truly were left shaking their heads in disgust.

Mark Lemke led off the inning by slapping a

single to right, and Belliard's sacrifice bunt got him to second. Smith followed by dropping a bunt in front of third baseman Mike Pagliarulo and sliding into first with an infield hit, leaving runners on first and third with one out. Still, the Braves could not score. Morris got Pendleton to pop out to shortstop Greg Gagne, then left the mound pumping his fist after striking out Gant on a fastball at the knees.

But Smoltz was proving equally resilient. The Twins had a two-on, two-out chance in the second after singles by Brian Harper and Shane Mack, but Pagliarulo grounded to first baseman Bream. Gladden reached third base with two outs following a third-inning double, but Smoltz struck out Puckett to escape. A sliding catch by right fielder Justice helped Smoltz avoid trouble in the fourth, and he survived Gladden's two-out single in the fifth and a leadoff walk to Puckett in the sixth.

In the eighth, the Braves squandered their best opportunity. Smith dropped a leadoff single into right and Pendleton slammed a double into the gap in left-center field. Smith was running on the play, but paused at second base so long he had to stop at third.

That turned out to be very costly. Kelly stuck with Morris, and Morris delivered. He got Gant to ground to first baseman Hrbek, with the runners holding. The Twins elected to walk Justice intentionally, and the lead-footed Bream slapped a grounder to Hrbek that became a home-to-first double play.

Amazingly, the Twins returned the favor in the bottom of the inning. Singles by pinch hitter Randy Bush and Knoblauch put runners at first and third, one out, and Cox waved Stanton to the mound. Puckett would not beat Atlanta this time — as he did with his 11th-inning homer in Game 6 — because he was walked intentionally to load the bases. But Hrbek's line drive up the middle landed in the glove of second baseman Lemke, and he stepped on the nearby bag to double up Knoblauch and end the inning.

Minnesota had yet another chance in the bottom of the ninth, which began with Chili Davis' leadoff single and Harper's base hit bunt. Stanton pulled a muscle in his back chasing Harper's bunt, but Peña came on to get Mack to hit into a double play, then struck out pinch hitter Paul Sorrento with pinch runner Jarvis Brown at third base.

For Smoltz and Morris, A Rare Jewel of a Duel Goes Against All Odds

By Claire Smith

New York Times Service

MINNEAPOLIS — The odds of two teams reaching the seventh and final game of the World Series are relatively slim. Only 32 of the 88 Series thus far have been played out to the maximum limit.

The chances of a pitching duel of the sort waged Sunday night by Atlanta's John Smoltz and Minnesota's Jack Morris are even slimmer.

In fact, the two right-handers accomplished something that Koufax could not against Kait, Gibson could not against Lolich, Hurst could not against Niekirk, and that was carry a nail-biting, nerve-racking double shutout through the seventh inning.

And even after Smoltz left in the eighth, the double shutout continued until the Twins scored a run in the bottom of the 10th inning.

What would it have taken to get Morris out of the game? "Probably a shotgun," said the Twins' manager, Tom Kelly. "I thought nine innings was enough. He said, 'T.K., I'm fine, I'm fine.' Dick Such said, 'He's fine, let him go.' I said, 'What the heck, it's just a game.'"

"I mean, what more can you want, what more can you ask? The guy poured his guts out. Ten innings on three days' rest. That's outstanding, just outstanding."

How rare was this gem? Dating to 1971, the closest thing to what Morris and Smoltz accomplished could only be found in one of the 10 Game 7s played in the last two decades.

The next best thing to Sunday night's gem came in the 1968 Series between the Tigers and Cardinals. Each starter pitched six shutout innings before the Tigers scored three times in the top of the seventh on their way to a 4-1 victory. The pitchers were Mickey Lolich for Detroit and Bob Gibson for St. Louis.

In the 1971 Series, Pittsburgh's Steve Blass and Baltimore's Mike Cuellar carried a 1-0 game lead by the Pirates through the seventh inning. The only "blemish" on Cuellar's record through the early innings was a homer by Roberto Clemente. Cuellar lost 2-1, and the Orioles lost the Series.

To find a seventh game that resulted in even fewer runs in such a duel when the Dodgers' Sandy Koufax pitched a three-hitter to defeat the Twins' Jim Kaat and four other pitchers, 2-0.

With apologies to the aforementioned Hall of Fame pitchers, Morris and Smoltz combined for a game that equals any such duel in baseball history for display at Cooperstown.

Indication of both pitchers' refusal to bend came in the eighth inning. In the second inning, Smoltz allowed the Twins their first two hits, back-to-back two-out singles by Brian Harper and Shane Mack. Smoltz could have been rattled by the incredible din of the Metrodome or by the batter, the Twins

third baseman Mike Pagliarulo, owner of three hits, including a home run against him in Game 4. He was shaken by neither as he got Pagliarulo to ground out.

Minnesota got a runner to third in the third with two out, but Smoltz toughened again, this time against Minnesota's hero of Game 6. This time, Atlanta got to Kirby Puckett instead of the other way around, as Smoltz, at one point down in the count, 2-0, came back to strike out the Twins' No. 3 hitter.

Engaged in a "Can You Top This?" game within a game, Morris did. He worked his way into a two-out situation with runners on first and third in the fifth and one out.

All he had to do was get past Terry Pendleton and Ron Gant. He did, getting Pendleton on a pop up to shallow left, then snaking a called third strike past Gant, who looked frozen at the plate.

Then Morris topped himself. In the eighth, it seemed that he could in no way keep the spell he held over the Braves intact.

That was because Lonnie Smith's leadoff single was followed by Pendleton's double into the left-center field gap. Smith held up before rounding second and heading for third. It was up to Morris, then, to leave him there.

With the infield in, Morris got one out of the way there by inducing Gant to ground out to first. Then Morris set up potential force outs at every base by intentionally walking David Justice. Morris got his force and more as Atlanta first baseman Sid Bream grounded to his counterpart, Kent Hrbek.

The Twins' first baseman threw home to force Smith. When catcher Brian Harper threw back to first to complete the double play, Morris still had his extraordinary shutout.

No matter who won the Series, what Morris and Smoltz achieved was unique. And it was special because they blanked two teams that in the 6 previous games had gotten 16 home runs and 52 runs.

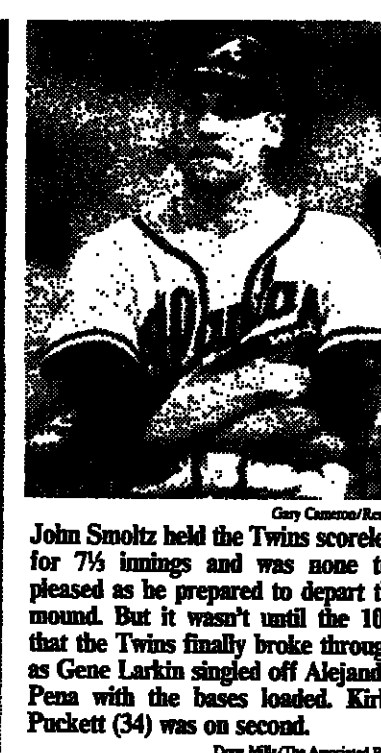
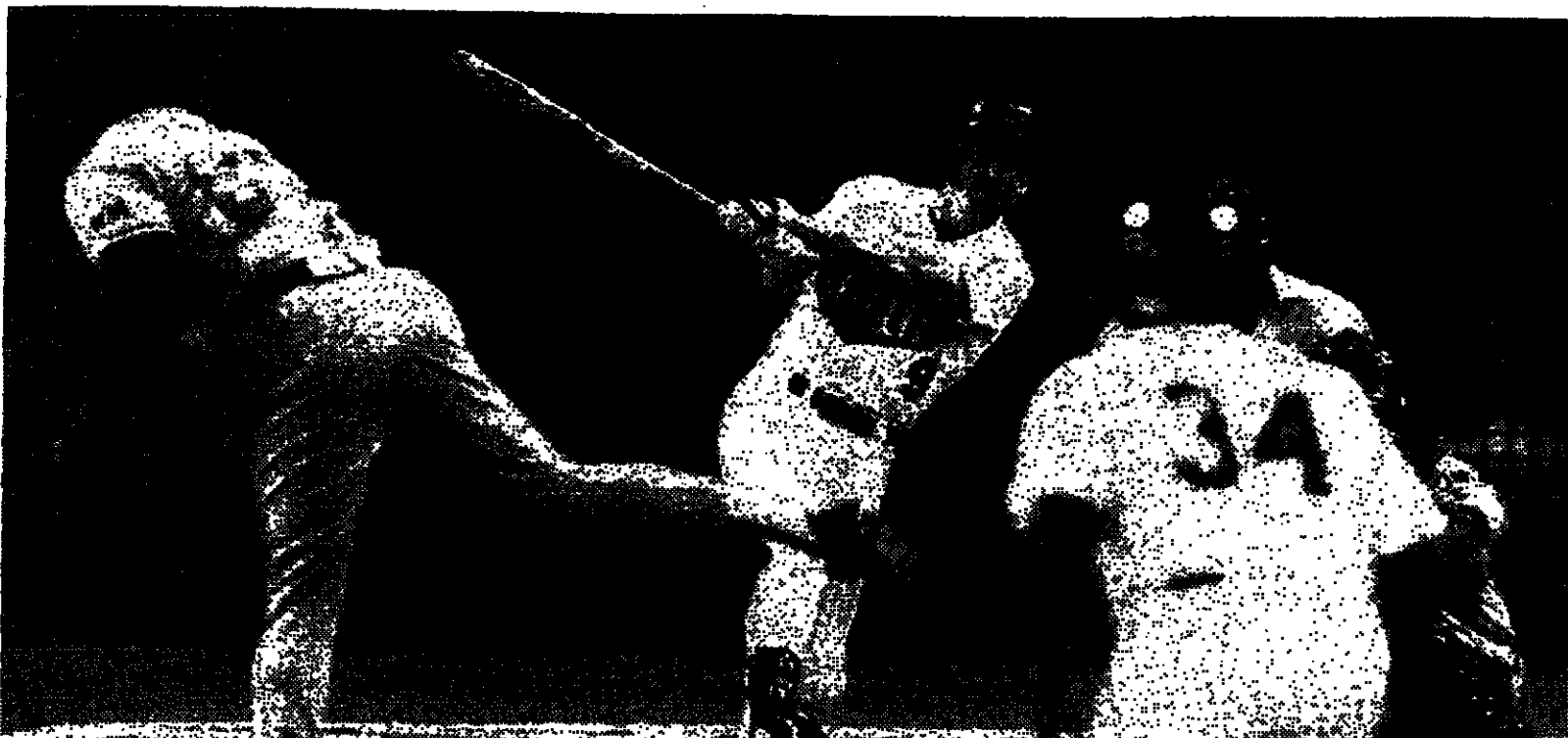
"What else can you say about Morris?" said Smoltz. "He did a super job. It's what I saw in him all those years growing up in Detroit. He's such a competitor. He's never going to give you a chance to kick him over."

Asked how long he could have gone, Morris said, "112 innings."

Seibu Wins Japan Series
Kimiyasu Kudo held the Hiroshima Toyo Carp to two hits through the last five innings as the Seibu Lions trounced Hiroshima, 7-1, on Monday to win their seventh Japanese baseball championship. The Associated Press reported from Tokyo.

Ken Hirano singled home the winning run in the three-run fifth inning and then tripled before Koji Akiyama's two-run home run in the four-run seventh inning.

The Lions came back from a 2-3 deficit in games to beat the Carp, four games to three.



John Smoltz held the Twins scoreless for 7½ innings and was none too pleased as he prepared to depart the mound. But it wasn't until the 10th that the Twins finally broke through, as Gene Larkin singled off Alejandro Peña with the bases loaded. Kirby Puckett (34) was on second.

Caught Not Looking, Smith and Braves' Opportunity Are Lost

By Thomas Boswell

Washington Post Service

MINNEAPOLIS — If you're scoring the play that probably decided the 1991 World Series goes: Knoblauch-to-Gagne-to-Nobody. It was the greatest double play never made.

Lonnie Smith isn't still wondering where the ball went. He hasn't seen it yet. He's still watching Chuck Knoblauch and Greg Gagne pretending to turn a double play — a mime, a joke, a sucker play, a moment of genius, just as Johnny Pesky is still holding the ball in Boston.

Smith will stand there forever, just past second base, alone and confused. It's the eighth inning of a scoreless Game 7 of the World Series. What a time to take your eye off the ball.

Out of a crowd of 55,118 in the Metrodome, every one knew that National League batting champion Terry Pendleton had hit a drive into the gap in left-center field for a ringing double, with no Twin near the ball.

But those 55,118 weren't running on the play as Smith was. They weren't the first ball of the hit-and-run. And they didn't forget to peek at the batter, halfway to second, the way every high school kid is taught. Five strides into your break, sneak a glance. That's about when the ball gets to the plate. You might see something. Smith never looked.

For the moment, only Smith knows for sure whether he got lost entirely on his own or whether Knoblauch and Gagne deserve the accolades that the Twin Cities are already heaping on them.

After the Twins won, 1-0, in 10 innings, Smith wasn't talking. Whatever the cause, the one certain thing is that the run that Smith did not score cost the Braves the championship.

No matter what Smith eventually says, baseball lore will record that he was duped by the Twins. Replays show that he saw second baseman Knoblauch drop to one knee as if he'd stopped a hot smash, then fake a hard shovel pass to shortstop Gagne, who caught onto the play in time to race toward second base.

Smith was fooled, distracted, for only a fraction of a second. But it was enough. The crack of the bat had been swallowed in the noise of the Thunderdome. He hadn't heard the ball being hit and he couldn't see it.

"He lost the ball," said Pendleton. As the ball bounced off the wall, Smith finally broke for third. But it was too late. On a play where he should have scored easily, he had to stop at third.

Sure, there were no outs and the Braves still should have scored. But the stadium was full of demons pointing fingers and saying, "Lonnie stopped. He'll never score now."

And he didn't. AS IF TO make the misery of the Braves complete, this game went into extra innings, doubling the significance of Smith's base-running gaff. If Smith had scored, the Braves could have won, 1-0, in nine innings with John Smoltz and Mike Stanton sharing the heroic shutout.

Gene Larkin eventually got the game-ending hit in this masterpiece of tension. Still, Larkin merely got a hit. Lots of people get hit to break ties in the seventh game of a Series. Bill Mazeroski in 1960. Joe Morgan in 1975. It happens every 20 years or so, like clockwork.

But a play like Knoblauch and Gagne pulled — especially Knoblauch, the 23-year-old rookie who gets the most credit — that only happens once.

SCOREBOARD

HOCKEY

NHL Standings

WALLES CONFERENCE

PACIFIC DIVISION

W L T Pts GF GA

Washington 8 3 0 16 48 38

New Jersey 7 4 0 14 49 33

NY Rangers 6 4 0 12 34 34

Pittsburgh 4 4 1 9 28 31

Philadelphia 3 5 1 7 28 28

NY Islanders 2 5 2 6 29 37

Atlantic Division

W L T Pts GF GA

Montreal 8 3 1 17 39 19

Boston 7 4 1 14 38 31

Buffalo 4 4 1 9 28 31

Detroit 3 5 2 8 31 36

Quebec 1 7 3 5 25 41

Campbell Conference

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Buffalo 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Los Angeles 1 2 0 3 10 10

Game 7 Boxscore

ATLANTA

W L T Pts GF GA

Seattle 5 4 0 16 48 38

San Diego 1 8 0 2 11 154 207

National Conference

W L T Pts GF GA

Washington 8 3 0 16 48 38

Dallas 5 3 0 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

World Series Composite Boxscore

BATTING SUMMARY

ATLANTA

W L T Pts GF GA

Seattle 5 4 0 16 48 38

San Diego 1 8 0 2 11 154 207

National Conference

W L T Pts GF GA

Washington 8 3 0 16 48 38

Dallas 5 3 0 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

SUNDAY'S RESULTS

W L T Pts GF GA

Chicago 5 3 2 12 35 34

St. Louis 5 3 2 12 35 34

Minnesota 5 4 0 10 31 28

Detroit 4 5 1 9 32 32

Toronto 4 5 1 9 32 34

Series Champions

1991-1992 Series

W L T Pts GF GA

Seattle 5 4 0 16 48 38

San Diego 1 8 0 2 11 154 207

National Conference

W L T Pts GF GA

Washington 8 3 0 16 48 38

